

US\$500,000,000

Corporación Nacional del Cobre de Chile 4.750% Notes due 2014

The notes will bear interest at the rate of 4.750% per year. Interest on the notes is payable on April 15 and October 15 of each year, beginning on April 15, 2005. The notes will mature on October 15, 2014. The notes will not be redeemable prior to maturity except in the event of certain developments affecting taxation. See "Description of Notes—Tax Redemption".

The notes will be direct, unsecured and unsubordinated obligations of Corporación Nacional del Cobre de Chile ("CODELCO") and will rank *pari passu* with all other unsecured and unsubordinated obligations of CODELCO. See "Description of Notes — General".

CODELCO has applied to list the notes on the Luxembourg Stock Exchange in accordance with its rules and regulations; however, the notes have not yet been listed.

Investing in the notes involves risks. See "Risk Factors" beginning on page 10.

The notes have not been registered under the United States Securities Act of 1933, as amended, (the "Securities Act"), or any state securities laws. Accordingly, the notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the notes, see "Transfer Restrictions" and "Plan of Distribution".

Price 98.482% plus accrued interest, if any, from October 28, 2004.

The initial purchasers expect that delivery of the notes will be made to purchasers in book-entry form only through the facilities of The Depository Trust Company on or about October 28, 2004.

Joint Book -Running Managers

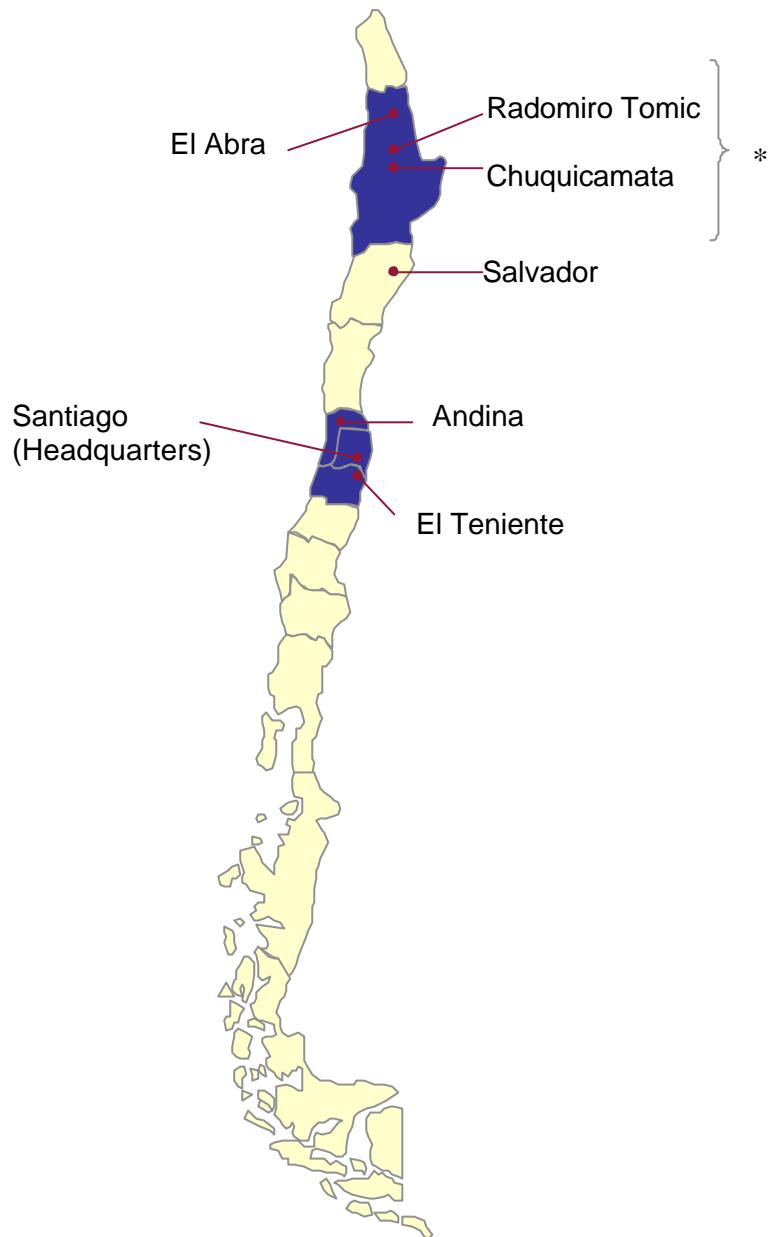
Citigroup

HSBC

Mitsubishi Securities

October 21, 2004

RBC Capital Markets



(Illustrative map of continental Chile)

* The Codelco Norte Division was formed on August 1, 2002 by the consolidation of the Radomiro Tomic and Chuquicamata Divisions.

You should rely only on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. We are not, and the initial purchasers are not, making an offer of these securities in any jurisdiction where the offer is not permitted. Prospective investors should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

After having made all reasonable inquiries, we confirm that the information contained in this offering memorandum is true and accurate in all material respects, that the opinions and intentions expressed herein are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading. CODELCO accepts responsibility accordingly.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "CODELCO," the "Company," "we," "our," "ours," "us" or similar terms refer to Corporación Nacional del Cobre de Chile (CODELCO) together with its subsidiaries.

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The notes may not be offered or sold, directly or indirectly, in Chile or to any resident of Chile, except as permitted by applicable Chilean law.

This offering memorandum has been prepared by CODELCO solely for use in connection with the proposed offering of the securities described herein. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. We and the initial purchasers reserve the right to reject for any reason any offer to purchase any of the notes.

This offering memorandum may only be used for the purposes for which it has been published.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. CODELCO has furnished the information contained in this offering memorandum. The initial purchasers have not independently verified any of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of any such information.

Neither the Securities and Exchange Commission, any state securities commission nor any other U.S. regulatory authority has approved or disapproved the securities nor has any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making an investment decision, prospective investors must rely on their own examination of CODELCO and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to CODELCO or the initial purchasers, and at the office of the Luxembourg paying agent.

Effective from the date of commencement of discussions concerning the offering, you and each of your employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the offering and all materials of any kind, including opinions or other tax analyses, that have been provided to you relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose the identity of CODELCO or the initial purchasers or their respective affiliates, agents or advisers, or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

IN CONNECTION WITH THIS OFFERING, ON BEHALF OF THE INITIAL PURCHASERS, CITIGROUP, OR ANY PERSON ACTING FOR IT, MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION FOR CITIGROUP, OR ANY PERSON ACTING FOR IT, TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes and (2) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; neither we nor the initial purchasers shall have any responsibility therefor. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes, other than as contained in this offering memorandum and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as “relevant persons”). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

See “Risk Factors” immediately following the offering memorandum summary for a description of certain factors relating to an investment in the notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes Annotated, or the RSA, with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of the State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State of the State of New Hampshire has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. We may from time to time make forward-looking statements in our annual report, in prospectuses, press releases and other written materials and in oral statements made by our officers, directors or employees to analysts, institutional investors, representatives of the media and others. Examples of these forward-looking statements include:

- projections of revenues, net income (loss), capital expenditures, dividends, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those relating to anticipated trends, competition, regulation and rates;
- statements about our future economic performance or that of Chile or other countries in which we have investments; and
- statements of assumptions underlying these statements.

Words such as “believe”, “could”, “may”, “will”, “anticipate”, “plan”, “expect”, “intend”, “target”, “estimate”, “project”, “potential”, “predict”, “forecast”, “guideline”, “should” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in these forward-looking statements. These factors, some of which are discussed under “Risk Factors,” include economic and political conditions and government policies in Chile or elsewhere, inflation rates, exchange rates, regulatory developments, customer demand and competition. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements.

You are cautioned not to place undue reliance on these forward-looking statements which reflect our views only as of the date they are made, and we do not undertake any obligation to update them or publicly to release the result of any revisions to these forward-looking statements in light of new information or future developments after the date of this offering memorandum.

ENFORCEABILITY OF CIVIL LIABILITIES

Corporación Nacional del Cobre de Chile (together with its consolidated subsidiaries, “CODELCO” or the “Company”) is a state-owned enterprise organized under the laws of the Republic of Chile (“Chile”). All of its directors and executive officers and certain experts named in this offering memorandum reside outside the United States (principally in Chile) and all or a substantial portion of the assets of CODELCO and of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States on, or bring actions or enforce foreign judgments against, CODELCO or such persons in U.S. courts. In addition, CODELCO has been advised by its Chilean counsel, Carey & Cía. Ltda., that no treaty exists between the United States and Chile for the reciprocal enforcement of foreign judgments. There is also doubt as to the enforceability in Chilean courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Chilean courts, however, have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, subject to the review in Chile of the U.S. judgment in order to ascertain whether certain basic principles of due process and public policy have been respected, without reviewing the merits of the subject matter of the case. Lastly, CODELCO has been advised by Carey & Cía. Ltda. that there is doubt as to the enforceability in original actions in Chilean courts of liabilities predicated solely upon U.S. federal securities laws.

The notes will provide that CODELCO will appoint the Chilean consul in New York City as its agent upon whom process may be served in any action arising out of or based upon the notes which may be instituted in any federal or state court having “subject matter” jurisdiction. See “Description of Notes”.

Pursuant to the Chilean Mining Code, mining concessions as well as certain raw materials and property related to the extraction of minerals cannot be subject to an order of attachment, except with respect to mortgages or in the case that the debtor consents to the attachment in the same enforcement proceeding. In addition, pursuant to the Chilean Constitution,

mining concessions corresponding to mining deposits exploited by CODELCO upon its creation in 1976 cannot be subject to attachment nor to any act of disposition by CODELCO. As a result, the rights of holders to attach property of CODELCO in the event of a default under the notes would be limited by such provisions. See “Regulatory Framework—Mining Regulations”.

PRESENTATION OF FINANCIAL AND STATISTICAL INFORMATION

In this offering memorandum, references to “U.S.\$”, “\$”, “U.S. dollars” and “dollars” are to United States dollars, references to “cents” are to United States cents (U.S.\$0.01), references to “pesos” or “Ch\$” are to Chilean pesos and references to “UF” are to “Unidades de Fomento”. The UF is an inflation-indexed Chilean monetary unit which is linked to, and which is adjusted daily to reflect changes in the Consumer Price Index during the preceding 30 days.

The audited consolidated financial statements of CODELCO as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2001, 2002 and 2003 (the “Year-end Consolidated Financial Statements”), as well as the unaudited interim consolidated financial statements as of June 30, 2003 and 2004 and for the six months ended June 30, 2003 and 2004 (the “Interim Consolidated Financial Statements” and, together with the Year-end Consolidated Financial Statements, the “Consolidated Financial Statements”) and, unless otherwise indicated, other financial information concerning CODELCO included herein are presented in U.S. dollars in conformity with Decree Law 1.350 of 1976 and in conformity with generally accepted accounting principles in Chile (“Chilean GAAP”). Decree Law 1.350 of 1976 is the Chilean law pursuant to which CODELCO was created and which provides for its governance. Because the notes offered hereby have not been registered with the SEC, the Consolidated Financial Statements do not and are not required to comply with the applicable requirements of the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the related rules and regulations adopted by the SEC, which would apply if the notes offered hereby were being registered with the SEC. The U.S. dollar is the currency of the primary economic environment in which CODELCO operates. Nevertheless, as an international company operating primarily in Chile as well as in several other Latin American countries, a portion of CODELCO’s business is transacted in Chilean pesos and other non-dollar currencies. Chilean GAAP as applied to CODELCO differs in certain important respects from U.S. GAAP. See “Annex A—Principal Differences between Chilean GAAP and U.S. GAAP” contained elsewhere in this offering memorandum for a description of the principal differences between Chilean GAAP and U.S. GAAP as they relate to CODELCO. Unconsolidated financial statements for CODELCO and its subsidiaries are not included in this offering memorandum.

Certain figures included in this offering memorandum and in the Consolidated Financial Statements have been rounded for ease of presentation. Percentage figures included in this offering memorandum have in some cases been calculated on the basis of such figures prior to rounding. For this reason, certain percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in the Consolidated Financial Statements. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

The Observed Exchange Rate (as defined herein under “Exchange Rates”) reported by the Central Bank of Chile for December 31, 2003 was Ch\$593.80 = U.S.\$1.00 and for October 21, 2004 was Ch\$612.25 = U.S.\$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos. See “Exchange Rates”.

All tonnage information in this offering memorandum is expressed in metric tons and all references to ounces are to troy ounces, in each case, unless otherwise specified. Certain terms relating to the copper mining business are defined in “Glossary of Certain Mining Terms”.

EBITDA data is included in this offering memorandum because such data is used by certain investors to measure a company’s ability to service debt and fund capital expenditures, and it is included herein for convenience only. CODELCO calculates EBITDA by adding interest expense, taxes (including income and export taxes), depreciation and amortization to net income, in each case determined in accordance with Chilean GAAP. Under Chilean GAAP, operating income is calculated before provision for the 10% export tax payable by CODELCO under Law 13.196. EBITDA is not a measure of financial performance or liquidity under either Chilean GAAP or U.S. GAAP and should not be considered in isolation or as a substitute for net income as a measure of operating performance, or as an alternative to cash flows as a measure of liquidity. Additionally, the Company’s calculation of EBITDA may be different than the calculation used by other companies, and therefore comparability may be affected.

Market information regarding CODELCO’s share of copper production, reserves and relative cost position has been derived by CODELCO from third-party sources, including reports of Brook Hunt & Associates, and from CODELCO’s own industry research. Brook Hunt & Associates publishes periodic reports containing western world copper production data and cost analysis by mine site. While CODELCO believes that its estimates are reliable, such estimates have not been confirmed by independent sources. The Consolidated Financial Statements do not reflect the value of CODELCO’s mining concessions or its resources and reserves. As used in this offering memorandum, “western world” consists of the countries of western Europe, the United States, Canada, Latin America, Africa, Oceania (including Australia) and some of Asia, and specifically excludes Albania, Bulgaria, China, Hungary, Mongolia, North Korea, Poland, Romania, Russia, the Czech and Slovak

Republics and the countries of the former Commonwealth of Independent States (including Armenia, Kazakhstan, Ukraine and Uzbekistan). Although certain independent sources report significant production of copper in the countries excluded from this definition of the western world, CODELCO's management does not believe such reports provide information that is sufficiently authoritative, and therefore uses western world production in this offering memorandum as a basis for comparison.

As used in this offering memorandum, "cash cost" is calculated in accordance with the methodology specified by Brook Hunt & Associates for determination of C1 cost, or net direct cash cost, and includes all direct cash costs of mining, including costs associated with extraction, leaching, smelting and further processing of copper ores into refined metal, as well as labor, financing, transportation and physical plant costs associated with those processes, net of income from sales of by-products. Cash cost figures are given as nominal dollar amounts, usually expressed as cents per pound, and exclude amortization, depreciation and central office costs.

As used in this offering memorandum, "El Teniente", "Andina" and "Salvador" refer to the divisions of CODELCO, not the mines having those names, unless otherwise required by context.

As used in this offering memorandum, the term "billion" means one thousand million (1,000,000,000).

SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this offering memorandum. Unless otherwise indicated, financial information with respect to CODELCO provided in this offering memorandum has been presented in U.S. dollars and in accordance with Chilean GAAP.

CODELCO is the world's largest copper producer and one of the largest companies in Chile in terms of sales (U.S.\$3.8 billion in 2003). As of December 31, 2003, CODELCO's total assets and equity amounted to U.S.\$8.1 billion and U.S.\$2.8 billion, respectively, without including the value of CODELCO's mining concessions and ore deposits (as of June 30, 2004, such amounts were U.S.\$8.2 billion and U.S.\$2.9 billion, respectively).

CODELCO engages primarily in the exploration, development and extraction of ores bearing copper and by-products, the processing of ore into refined copper and the international sale of refined copper and by-products.

CODELCO is 100% owned by the Chilean State and controls approximately 20% of the world's copper reserve base, as such term is defined by the U.S. Geological Survey.

In 2003, CODELCO had an estimated 15% share of western world copper production, with production of approximately 1.67 million metric tons (including CODELCO's share of the El Abra deposit, which is mined by a joint venture owned 49% by CODELCO and 51% by Phelps Dodge Corporation) and an estimated 16% share of the world's molybdenum production with production of 23,173 metric tons.

CODELCO's sales of refined copper in 2003 were geographically diversified with 47% to Asia (including 20% to China), 35% to Europe, 11% to North America and 7% to South America.

CODELCO's main commercial product is Grade A cathode copper. In 2003, CODELCO derived 83.8% of its total sales from copper and 16.2% of its total sales from by-products of its copper production.

CODELCO's copper operations are consolidated into four divisions:

- (1) The Codelco Norte Division, CODELCO's largest division, operates the Chuquicamata and Radomiro Tomic mines and related facilities. Chuquicamata has been in operation since 1915 and includes smelting and refining capacity, while Radomiro Tomic is CODELCO's newest operation with its first full year of production in 1998. The Codelco Norte Division was created on August 1, 2002 by combining the formerly separate Chuquicamata and Radomiro Tomic Divisions. In 2003, Chuquicamata and Radomiro Tomic produced 600,629 and 306,539 metric tons of copper, respectively, which together represent approximately 58% of CODELCO's total copper output. Chuquicamata is one of the largest copper-producing mines in the world, and ranks among the lowest-cost producers. Radomiro Tomic is the world's largest SX-EW producer of copper, utilizing new technology to achieve highly efficient copper recovery.
- (2) The El Teniente Division is the operator of the El Teniente mine, which is the world's largest underground copper mine and has been in operation for approximately 100 years. The El Teniente Division includes the Caletones smelter. In 2003, this division produced 339,440 metric tons of copper.
- (3) The Andina Division operates the Andina and Sur-Sur mines with production split among open-pit and underground mines. It does not have independent smelting capacity. Andina produced approximately 805,165 metric tons of concentrate, containing 235,834 metric tons of copper, in 2003.
- (4) The Salvador Division includes the Salvador mine and concentrator and the smelter/refinery complex at Potrerillos, which has a capacity of 671,000 metric tons of concentrate. Salvador produced 80,105 metric tons of copper in 2003.

In addition to its copper divisions, CODELCO is also involved in certain joint ventures, including the El Abra mine, which in 2003 produced 226,648 metric tons of fine copper, Electroandina S.A., an electric power-generation and transmission company, which owns 1,029 megawatts of installed electric power-generating capacity in northern Chile and Empresa Eléctrica del Norte Grande S.A. (“Edelnor”), an electric power-generating and transmission company, which owns approximately 687 megawatts of installed electric power-generating capacity and leases 29 megawatts of diesel capacity in northern Chile.

Competitive Strengths

CODELCO believes it has certain distinguishing competitive strengths:

- *Market Presence.* CODELCO is the largest copper producer in the world, with an estimated 15% share of western world copper production, with 1.67 million metric tons (including CODELCO’s share of the El Abra deposit) of production in 2003, and is one of the largest producers of molybdenum in the world, with an estimated 16% share of total world molybdenum production, with 23,173 metric tons of production in 2003. CODELCO believes its significant market presence gives the Company certain advantages in the marketing of its products.
- *Copper Reserves.* CODELCO controls approximately 20% of the world’s copper reserve base. In 2003, CODELCO’s demonstrated reserves represented at least 25 years of future production at current levels.
- *Cost Efficiency.* CODELCO is one of the western world’s lowest cost producers of copper. In 2003 CODELCO’s cash cost of production was 42.7 cents per pound, as compared with 40.9 cents in 2002 and 40.7 cents in 2001. For the first six months of 2004, CODELCO’s cash cost of production was 36.6 cents per pound.
- *Stable, Long-term and Geographically Diverse Client Base.* CODELCO has developed long-term relationships with a substantial majority of its clients, including some of the leading manufacturers in the world.
- *Financial Strength.* In 2003, CODELCO’s earnings before interest expense, taxes (including income and export taxes), depreciation and amortization (EBITDA) amounted to U.S.\$1.18 billion; total debt to capitalization as of December 31, 2003 was 50.8% and total debt to EBITDA was 2.5x.
- *Management Efficiency and Flexibility.* A significant portion of CODELCO’s copper reserves are concentrated in a small geographical area in Chile and can therefore be managed efficiently. CODELCO believes that it has a highly experienced workforce and executive team with a proven track record of managing long-life copper reserves that is able to respond to market changes by adjusting the allocation of its resources and operations among several different methods of production and ore deposits.
- *A Leading Company in Chile.* CODELCO is one of the largest companies in Chile in terms of sales as of December 31, 2003, and is a key contributor to the Chilean State. In 2003 CODELCO contributed U.S.\$642 million to the Chilean Treasury and accounted for approximately 14% of Chile’s total exports.

Business Strategy

CODELCO’s mission is to fully develop its mining and related business areas in a responsible and flexible manner, in order to maximize its long-term economic value and its contributions to the Chilean budget. In addition, the Company has committed itself to paying all of its net income to the Chilean Treasury. CODELCO has set a goal of substantially increasing its value during the 2001-2006 period, subject to current forecasts for long-term copper prices during the period. To achieve these goals, CODELCO has defined six strategic points on which it intends to focus its efforts: (i) fully developing its business potential, both in Chile and abroad, (ii) developing the capacity of workers and supervisors, enhancing participatory management and deepening the relationship between labor and management, which the Company refers to as the Strategic

Alliance, (iii) continuing to ensure the quality and improve the efficiency of its operations, (iv) incorporating technology as an essential requirement for competitiveness, (v) creating new markets and promoting the use and consumption of copper and (vi) reinforcing its commitment to the environment and strengthening its ties with the community.

To meet these long-term objectives, CODELCO seeks to capitalize on its core strengths. Key elements of CODELCO's strategy include:

Cost Reduction Programs. CODELCO continues to develop and refine its mine management practices and programs to control its cost of copper production and to build on the substantial cost cuts made in past years, which CODELCO believes have enabled it to face the challenge of low copper prices in past years. These include the following: (i) improved deposit identification and mining techniques, (ii) the development of the Strategic Alliance between CODELCO and its workforce, which has resulted in improved labor productivity, (iii) implementation of early retirement and workforce reduction programs, (iv) a decrease in the amount spent on the outsourcing of maintenance and operational support services and (v) a reduction in expenses for materials used in the processes of copper production due to improved relationships with suppliers.

Investment Plans. From 2004 through 2008, subject to the approval of CODELCO's Board of Directors and the Ministries of Mining and Finance, CODELCO expects to invest approximately U.S.\$5.5 billion in expansion and development projects, including (i) development of new mines, including the Gaby deposit (approximately U.S.\$478 million) in 2004 – 2007, (ii) integrated development of the Mansa Mina and Codelco Norte deposits (approximately U.S.\$615 million) in 2004 – 2007 (iii) construction of a new treatment plant at Mina Sur (approximately U.S.\$262 million) in 2004 – 2005, and (iv) phase one and two of expansion of production capacity at El Teniente (approximately U.S.\$448 million) in 2004 – 2008. In 2003, CODELCO invested more than U.S.\$895 million in such projects, including upgrades in the technology employed at Chuquicamata's refinery, on the relocation of one of Chuquicamata's milling facilities and in the Calama integration project. In 2004, CODELCO expects to spend approximately U.S.\$1.1 billion on the projects mentioned above. In the first half of 2004, CODELCO invested U.S.\$434 million in these projects, primarily in the construction of the new treatment plant at Mina Sur, the Calama integration project and the expansion of production capacity at El Teniente.

As part of this investment program, capital investments have also been made in certain environmental projects. From 2004 through 2008, CODELCO plans to continue implementing its pollution abatement plan through additional capital investments of approximately U.S.\$71 million. In 2003, CODELCO invested a total of approximately U.S.\$39 million in these projects, including the implementation of gas capture and treatment processes at Chuquicamata and El Teniente. In 2004, CODELCO expects to invest approximately U.S.\$30 million in such projects, including the continued development of the Carén Tailings Dam and improvements to the water recovery system. See "Risk Factors—Risks Relating to CODELCO's Operations—CODELCO's compliance with environmental, health and safety laws may require increased capital commitments, and non-compliance may subject it to significant penalties".

CODELCO regularly considers new opportunities for suitable investments in Chile and abroad. Although the Company currently has no plans to do so, CODELCO may identify and pursue new opportunities in the future.

On September 30, 2003 and August 17, 2004, CODELCO's board of directors approved the purchase of the Las Ventanas smelting and refining complex ("Ventanas") located in central Chile from its current owner, Empresa Nacional de Minería ("ENAMI"), a Chilean state-owned company. CODELCO's board of directors initially approved an offering price of U.S.\$375 million, which was later increased to up to U.S.\$395 million based on CODELCO's estimate of the net present value of the cash flow of Ventanas. According to its estimates, CODELCO expects to recoup the investment with cash flows from Ventanas and will benefit from synergies due to the integration of Ventanas in the refining and smelter complex already owned by COLDECO. These estimates are based on publicly available information and could change. Currently approximately 50% of the concentrates processed at Ventanas are supplied by CODELCO. Legislation is required to enable ENAMI to sell the assets, and a bill proposed for that purpose has been approved by the Chamber of Deputies and is pending before the Senate. The transfer includes all associated assets such as lab equipment, land and installations and vehicles, as well as patents and rights.

CODELCO's principal executive offices are located at Huérfanos 1270, Santiago, Chile, and its telephone number is 562-690-3000. CODELCO was established by Decree Law 1.350, published in the Official Gazette of February 28, 1976.

Recent Developments

In June 2004, CODELCO entered into a U.S.\$300 million five-year unsecured syndicated bank loan with a syndicate of international institutions that bears interest at LIBOR plus a margin of 25 basis points and is repayable in its entirety at the end of the five-year term. The bank loan was entered into to finance CODELCO's investments and to refinance certain liabilities.

In September 2004, CODELCO renegotiated the interest rate applicable to two unsecured syndicated bank loans, each with an outstanding principal balance of U.S.\$300 million. The two loans, which CODELCO had entered into in 2001 and 2003, were combined into a single U.S.\$600 million amended and restated loan agreement. Through this transaction, CODELCO was able to reduce the applicable interest rate from an average of LIBOR plus a margin of 45 basis points to an interest rate that ranges from LIBOR plus 17.5 basis points to LIBOR plus 22.5 basis points. The term of the original loans remains unchanged, and the loans mature in two installments of U.S.\$300 million each in December 2006 and July 2008.

The Offering

Issuer.....	Corporación Nacional del Cobre de Chile
Securities	4.750% notes due October 15, 2014.
Principal Amount.....	The aggregate principal amount of the notes will be U.S.\$500,000,000.
Issue Price	The issue price of the notes is 98.482%.
Interest.....	The notes will bear interest at the rate of 4.750% per annum payable semi-annually in arrears on April 15 and October 15 of each year until maturity. See “Description of Notes”.
Maturity.....	October 15, 2014.
Withholding Tax.....	Interest will be paid after withholding for or on account of certain taxes imposed by Chile. Under current Chilean law and regulations, payments of interest to holders of the notes that are not residents of Chile for purposes of Chilean taxation will generally be subject to Chilean withholding tax at a rate of 4.0%. Subject to specified exceptions and limitations, CODELCO will pay Additional Amounts in respect of such withholding tax on interest payments. See “Description of Notes—Payment of Additional Amounts” and “Taxation—Chilean Taxation”.
Tax Redemption.....	The notes are redeemable at the option of CODELCO in whole (but not in part), at any time at the principal amount thereof plus accrued and unpaid interest and any Additional Amounts due thereon if, as a result of changes in the laws or regulations affecting Chilean taxation, CODELCO becomes obligated to pay Additional Amounts on interest payments on the notes at a rate of withholding or deduction in excess of 4.0%. See “Description of Notes—Tax Redemption”, “Taxation—Chilean Taxation” and “Risk Factors—Risks Relating to the Offering”.
Form and Denomination.....	The notes will be issued in registered form only in denominations of U.S.\$100,000 and multiples of U.S.\$1,000 in excess thereof. Definitive notes may be issued under certain limited circumstances. See “Description of Notes—Certificated Notes”. The notes sold in reliance upon Rule 144A will be represented by Global Notes registered in the name of a nominee of the Depository Trust Company, (“DTC”). The notes sold in offshore transactions in

Payments; Transfers.....	reliance upon Regulation S will be represented by Global Notes registered in the name of a nominee of DTC. See “Description of Notes”.
Ranking.....	Payment of interest and principal with respect to interests in Global Notes will be credited by DTC, Euroclear or Clearstream, as the case may be, to the account of the holders of such interests with DTC, Euroclear or Clearstream, as the case may be. Transfers of interests in notes held through DTC, Euroclear or Clearstream will be conducted in accordance with the rules and operating procedures of the relevant system. There will be a Luxembourg paying agent.
.....	The notes will be the direct, unsecured and unsubordinated obligations of CODELCO ranking <i>pari passu</i> with all other unsecured and unsubordinated obligations of CODELCO, other than certain obligations granted preferential treatment pursuant to Chilean law.
.....	The notes will contain no restrictions on the amount of additional indebtedness which may be incurred by CODELCO or its subsidiaries; however, as set forth under “Description of Notes—Limitation on Liens”, the notes will contain certain restrictions on the ability of CODELCO and its subsidiaries to incur secured indebtedness. See “Description of Notes”.
Certain Covenants	The notes will contain certain covenants, including, but not limited to, covenants with respect to (i) limitations on liens, (ii) limitations on sale and lease-back transactions and (iii) limitations regarding consolidation, merger, conveyance, sale or lease transactions. See “Description of Notes—Limitation on Liens”, “—Limitation on Sale and Lease-Back Transactions” and “—Consolidation, Merger, Conveyance, Sale or Lease”.
Transfer Restrictions.....	The notes have not been and will not be registered under the Securities Act and are subject to restrictions on resales. See “Transfer Restrictions”.
Further Issues	In accordance with the terms of the Fiscal and Paying Agency Agreement, CODELCO may issue additional notes of the same series as the notes offered by this offering memorandum at a future date. See “Description of Notes—Further Issues of Notes”.

Listing.....

CODELCO has applied to list the notes on the Luxembourg Stock Exchange in accordance with its rules and regulations. The application is still pending and the notes are not yet listed. The Directive of the European Parliament and the Council (2003/0045 (COD) the “Transparency Directive”) regarding the harmonization of transparency requirements relating to financial information of issuers whose securities are admitted to trading on a regulated market in the European Union, such as the Luxembourg Stock Exchange, is now required to be implemented by the EU member states. If the Transparency Directive (and/or any other European or national legislation) is adopted and is implemented or takes effect in Luxembourg in a manner that would require us to publish or produce financial statements according to accounting principles or standards that are different from Chilean GAAP, or that would otherwise impose requirements on us that we, in our discretion determine are impracticable or unduly burdensome, we may de-list the notes. In these circumstances, there can be no assurance that we would obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union. For information regarding the notice requirements associated with any delisting decision, see “Description of Notes—Notices.”

Governing Law; Submission to Jurisdiction.....

The notes will be governed by the laws of the State of New York. CODELCO will submit to the jurisdiction of the United States federal and state courts located in the Borough of Manhattan in the City of New York in respect of any action arising out of or based on the notes. See “Description of Notes—Governing Law; Submission to Jurisdiction; Sovereign Immunity”.

Rating.....

The notes offered hereby will be assigned a rating by Moody’s Investors Service, Inc. (“Moody’s”) and by Standard & Poor’s rating group (“S&P”). CODELCO currently has a Foreign Currency Long Term Debt rating by Moody’s of A2 and a Long Term Foreign Issuer Credit rating by S&P of A. A rating is not a recommendation to buy, sell or hold securities, is subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating.

Use of Proceeds.....

The net proceeds from the offering of the notes will be used to partially finance capital expenditures and to refinance approximately U.S.\$300 million of CODELCO's financial debt.

Risk Factors

Before investing, you should carefully consider the information set forth under "Risk Factors" beginning on page 10.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table presents CODELCO's summary consolidated financial data and other data as of and for each of the periods indicated. This data is qualified in its entirety by reference to, and should be read together with, CODELCO's Consolidated Financial Statements and notes thereto, from which all such data (other than the average LME copper prices) has been derived. The unaudited interim information for the six-month periods ended June 30, 2003 and 2004 includes all adjustments, consisting of only normal recurring adjustments, that in the opinion of management are necessary for the fair presentation of such information. The unaudited results of operations for the six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the year ending December 31, 2004 or any other period. The data should also be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations". The Consolidated Financial Statements are prepared in accordance with Chilean GAAP, which differs in certain significant respects from U.S. GAAP. See "Annex A—Principal Differences between Chilean GAAP and U.S. GAAP".

	As of or for the year ended December 31,					As of or for the six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(in thousands of U.S.\$, except ratios and copper prices)						
CONSOLIDATED INCOME STATEMENT DATA							
Total sales.....	\$ 3,114,305	\$ 3,822,259	\$ 3,563,973	\$ 3,489,879	\$ 3,781,786	\$ 1,668,267	\$ 3,905,961
Cost of sales (1).....	(2,304,628)	(2,771,847)	(2,896,809)	(2,786,942)	(2,781,209)	(1,291,865)	(2,211,241)
Gross profit.....	809,677	1,050,412	667,164	702,937	1,000,577	376,402	1,694,720
Selling and administrative expenses.....	(154,461)	(149,037)	(138,131)	(159,676)	(167,274)	(92,825)	(90,131)
Operating income	655,216	901,375	529,033	543,261	833,303	283,577	1,604,589
Non-operating income (expense) (2)	(320,356)	(420,625)	(376,704)	(414,598)	(475,648)	(194,957)	(340,210)
Income before taxes	334,860	480,750	152,329	128,663	357,655	88,620	1,264,379
Taxes (3)	(191,528)	(275,199)	(126,757)	(81,795)	(269,331)	(55,093)	(742,861)
Minority interest.....	(11)	(164)	2	1,608	906	306	54
Net Income	\$ 143,321	\$ 205,387	\$ 25,574	\$ 48,476	\$ 89,230	\$ 33,833	\$ 521,572
BALANCE SHEET INFORMATION (END OF PERIOD)							
Total current assets.....	\$ 1,112,236	\$ 1,046,765	\$ 1,076,867	\$ 1,221,589	\$ 1,851,063	\$ 1,322,461	\$ 1,858,311
Total property, plant and equipment.....	4,348,805	4,446,017	4,572,260	4,904,550	5,260,679	4,979,288	5,318,601
Investments in other companies (4)	190,334	232,264	216,180	241,354	415,003	288,173	493,653
Long-term accounts receivable	97,395	57,025	52,360	63,635	132,088	92,811	130,814
All other assets.....	44,969	67,307	201,971	301,837	432,967	340,512	441,309
Total assets.....	\$ 5,793,739	\$ 5,849,378	\$ 6,119,638	\$ 6,732,965	\$ 8,091,800	\$ 7,023,245	\$ 8,242,688
Total current liabilities.....	\$ 775,611	\$ 786,184	\$ 834,691	\$ 1,027,677	\$ 1,326,354	\$ 1,239,184	\$ 1,172,671
Total long-term liabilities.....	2,236,428	2,278,654	2,575,899	2,972,655	3,941,992	3,006,786	4,194,339
Total liabilities.....	\$ 3,012,039	\$ 3,064,838	\$ 3,410,590	\$ 4,000,332	\$ 5,268,346	\$ 4,245,970	\$ 5,367,010
Minority interest.....	141	7,764	9,107	(432)	2,035	769	1,866
Total equity.....	2,781,559	2,776,776	2,699,941	2,733,065	2,821,419	2,776,506	2,873,812
Total liabilities and equity	\$ 5,793,739	\$ 5,849,378	\$ 6,119,638	\$ 6,732,965	\$ 8,091,800	\$ 7,023,245	\$ 8,242,688
OTHER ITEMS							
Depreciation and amortization.....	\$ 406,909	\$ 422,940	\$ 457,630	\$ 495,750	\$ 463,133	\$ 228,086	\$ 251,529
Interest income (expense), net.....	\$ (85,110)	\$ (95,917)	\$ (88,724)	\$ (67,573)	\$ (97,104)	\$ (45,661)	\$ (65,338)
Ratio of earnings to fixed charges (5) ..	4.3x	5.4x	2.5x	2.7x	4.4x	2.8x	19.1x
Average LME copper price (U.S. ¢ per pound) (6).....	71.34	82.26	71.59	70.60	80.73	74.95	125.30
EBITDA (7).....	\$ 1,081,763	\$ 1,287,600	\$ 969,601	\$ 943,138	\$ 1,176,343	\$ 479,504	1,861,081
Ratio of debt to EBITDA.....	1.3x	1.1x	1.5x	2.1x	2.5x	—	—
EBITDA coverage ratio (8).....	12.7x	13.4x	10.9x	14.0x	12.1x	10.5x	28.5x

- (1) Cost of sales for any period includes direct and indirect costs, depreciation and amortization associated with the production of copper and by-products, as well as purchase costs of third-party copper, sold by CODELCO in that period.
- (2) Non-operating income (expense) is comprised principally of gains on sales of assets, interest income, interest expense, participation in income and losses from equity method investments, costs related to retirement plan and severance indemnities and the 10% export tax paid by the Company that is required by Law 13,196. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".
- (3) Law 13,196 requires the payment of a 10% export tax on the export of copper and related by-products produced by CODELCO, which is included in this table as a non-operating expense. In addition, CODELCO provides for income taxes, in accordance with current regulations, consisting of a corporate income tax of 17% and the 40% tax on the earnings of state owned enterprises specified by Decree Law 2,398, Art.2. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Distributions to the Chilean Treasury".
- (4) Includes the categories "Investments in related companies" and "Investments in other companies" from CODELCO's Consolidated Financial Statements (including the Company's investments in El Abra and Inversiones Tocopilla Ltd.). See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business and Properties—Joint Ventures".
- (5) For the purpose of calculating CODELCO's ratio of earnings to fixed charges, (i) earnings consist of income before provision for taxes and interest expense and (ii) fixed charges consist of interest expense.
- (6) Average price on the London Metal Exchange ("LME") for Grade A cathode copper during period.
- (7) EBITDA is calculated by adding interest expense, taxes (including income and export taxes), depreciation and amortization to net income, in each case determined in accordance with Chilean GAAP. EBITDA is presented because it is a widely accepted indicator of funds available to service debt, although it is not a U.S. or Chilean GAAP-based measure of liquidity or performance. The Company believes that EBITDA, while providing useful information, should not be considered in isolation or as a substitute for net income as an indicator of operating performance, or as an alternative to cash flow as a measure of liquidity. Additionally, the Company's calculation of EBITDA may be different than the calculation used by other companies and therefore, comparability may be affected.
- (8) EBITDA coverage ratio is the ratio of EBITDA to interest expense net of interest income.

RISK FACTORS

Prospective purchasers of the notes offered hereby should carefully consider all the information contained herein, including the risk factors set forth below. As a general matter, investing in the securities of an issuer, substantially all of whose operations are in a developing country such as Chile, involves a higher degree of risk than investing in securities of issuers with substantially all of their operations in the United States and other jurisdictions.

Risks Relating to CODELCO's Operations

CODELCO's business is highly dependent upon the price of copper.

CODELCO's financial performance is significantly affected by the market prices of copper. These prices have been historically subject to wide fluctuations and are affected by numerous factors beyond the control of CODELCO, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers and others, and actions of participants in the commodities markets. To a lesser extent, copper prices are also subject to the effects of inventory carrying costs and currency exchange rates. In addition, the market prices of copper have occasionally been subject to rapid short-term changes. See "Overview of the Copper Market".

A 14.3% increase in average copper prices on the London Metal Exchange ("LME") in 2003, offset by a 7.6% decrease in total copper volume sold by CODELCO, contributed to an increase of approximately 8.4% in total sales in 2003 as compared with 2002. Higher copper prices continued to benefit CODELCO's revenues in the first half of 2004, and are expected to have a positive effect on CODELCO's year-end financial results for 2004. See "Management's Discussion and Analysis of Financial Condition and Results of Operations". A decline in copper prices would have an adverse impact on CODELCO's revenues and financial results. In the event of a sustained decline in prices, CODELCO has in the past and could again determine to curtail operations or suspend certain of its mining and processing operations.

CODELCO faces competition in the copper market from other copper producers.

CODELCO faces competition from other copper mining companies and producers of copper around the world. Although CODELCO is currently among the lowest cost copper producers in the western world mining industry and continues to focus on reducing costs, there can be no assurance that competition from lower cost producers will not have a material adverse effect on the business, financial condition, results of operations or prospects of CODELCO.

The mining world industry has experienced significant consolidation in recent years, including consolidation among some of CODELCO's main competitors, as a result of which an increased percentage of copper production is from companies that also produce other products and are, consequently, more diversified. There can be no assurance that the result of current or further consolidation in the industry will not have a material adverse effect on the business, financial condition, results of operations or prospects of CODELCO.

Most of CODELCO's copper output is dependent upon production from three of its main mining complexes.

Three of CODELCO's mining complexes produced over 80% of its copper output in 2003. The Chuquicamata and Radomiro Tomic mines, which since August 1, 2002 have been contained in the new Codelco Norte Division, produced 600,629 and 306,539 metric tons of copper in 2003, respectively. The El Teniente Division, including the Caletones smelter, produced 339,440 metric tons of copper in 2003. If operations in any of these three mining complexes were significantly reduced, interrupted or curtailed, CODELCO's financial condition and its ability to make the required payments on the notes could be materially and adversely affected. See "Business and Properties".

The business of mining is subject to risks, some of which are not completely insurable.

The business of mining, smelting and refining copper is generally subject to a number of risks and hazards, including industrial accidents, labor disputes, unexpected geological conditions, mine collapses, changes in the regulatory environment, environmental hazards and weather and other natural phenomena such as earthquakes and floods. Such occurrences could result in damage to, or destruction of, mineral properties or production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability. CODELCO maintains insurance typical in the copper mining industry and in amounts that it believes to be adequate, but which may not provide complete coverage in certain circumstances. Insurance against certain risks (including certain liabilities for environmental pollution and other hazards as a result of exploration and production) is not generally available to CODELCO or to other companies within the industry.

Under each of CODELCO's copper sales agreements, CODELCO or its customer may suspend or cancel delivery of copper during a period of force majeure. Events of force majeure under the agreements include acts of nature, strikes, fires, floods, wars, transportation delays, government actions or other events that are beyond the control of the parties. Any suspension or cancellation of deliveries under copper sales agreements that are not replaced by delivery under new contracts or sales on the spot market could have a material adverse effect on the business, financial condition, results of operations or prospects of CODELCO.

Since the events of September 11, 2001, many companies have found it increasingly difficult to obtain insurance of assets and/or paid higher insurance costs, accepted reduced coverage, or both. Although CODELCO has not been substantially affected by any change in the insurance market, there can be no assurance that it will not be so affected in the future.

CODELCO's business is dependent on the availability of water for the production of copper and subject to environmental regulations regarding water usage. In the late 1990's Chile experienced droughts severe enough to adversely affect the energy sector of the economy in the central and southern regions of Chile. If Chile were to experience another drought, CODELCO's ability to conduct its operations in those regions could be impaired.

CODELCO's compliance with environmental, health and safety laws may require increased capital commitments, and non-compliance may subject it to significant penalties.

Chile has adopted environmental, health and safety regulations requiring various industrial companies operating in Chile, including CODELCO, to undertake programs to reduce, control or eliminate various types of pollution and to protect natural resources, including water. CODELCO must also comply with certain special environmental regulations for the Chuquicamata, Potrerillos and Caletones smelting plants that affect areas that have been declared *zonas saturadas* ("non-attainment areas") due to the already high level of air pollution in those areas. These special environmental regulations require CODELCO to reduce atmospheric emissions associated with smelting plants and extracting operations. CODELCO is developing extensive environmental conservation programs at its mining facilities. In addition, CODELCO has or is developing and implementing environmental management systems at each of its Divisions to monitor and achieve compliance with applicable environmental laws and regulations. Finally, CODELCO's operations outside of Chile are also subject to extensive international, national and local environmental, health and safety laws and regulations. Environmental, health and safety laws and regulations are complex, change frequently and have tended to become increasingly stringent over time. While CODELCO has budgeted for future capital and operating expenditures to maintain compliance with these laws and regulations, there is no guarantee that current levels of capital commitment will be sufficient to achieve future compliance with environmental laws. In particular, additional laws and regulations are pending and may be adopted in Chile regarding water quality standards and soil contamination. Each of these laws could result in additional environmental compliance costs. Additionally, new regulations were enacted in February 2004 governing safety standards for mining operations. Pursuant to these regulations all mining companies, including CODELCO, should provide closure plans for their mining facilities demonstrating compliance with safety standards; such plans should be updated every five years and should consider the requirements set forth in the environmental authorization issued for the respective facility, if any. These regulations may be supplemented in the future with new environmental regulations which may impose additional requirements on CODELCO in connection with closure plans. For such purposes, CODELCO currently provides for the costs of disposing of tailings, which are part of the total costs

associated with closing its mines. CODELCO believes it is and will continue to be in material compliance with these statutory requirements. There can be no assurance that the total additional environmental compliance costs will not be material.

Chile's General Environmental Law permits the government to (i) bring administrative and judicial proceedings against companies that violate environmental laws, (ii) close non-complying facilities, (iii) revoke required operating licenses and (iv) impose sanctions and fines when companies act negligently, recklessly or deliberately in connection with environmental matters. The General Environmental Law also grants any person the right to bring civil actions against companies that are not in compliance with environmental laws and regulations, after non-compliance has been established by a judicial proceeding. There can be no assurance that CODELCO has been or will be at all times in complete compliance with environmental laws and regulations and therefore that these proceedings, civil actions, fines and other sanctions will not be imposed in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Environmental" and "Regulatory Framework—Environmental Regulations".

While CODELCO does not believe that compliance with such environmental, health and safety laws and regulations will have a material adverse effect on its business, financial condition, results of operations or prospects, there can be no assurance that more stringent enforcement of, or changes in, existing laws and regulations, the adoption of additional laws and regulations, or the discovery of new facts resulting in increased environmental liabilities would not have a material adverse effect on CODELCO's business, financial condition, results of operations or prospects. See "Regulatory Framework—Environmental Regulations".

Future compliance with a changing and complex regulation scheme may require changes in CODELCO's business.

CODELCO's exploration, mining, milling, smelting and refining activities are also subject to non-environmental Chilean laws and regulations (including certain industry technical standards) which change from time to time. Matters subject to regulation include, but are not limited to, concession fees, transportation, production, reclamation, export, taxation and labor standards.

While CODELCO does not believe that compliance with such laws and regulations will have a material adverse effect on its business, financial condition, results of operations or prospects, there can be no assurance that more stringent enforcement of, or change in, existing laws and regulations, the adoption of additional laws and regulations, or the discovery of new facts resulting in increased liabilities or costs would not have a material adverse effect on CODELCO's business, financial condition, results of operations or prospects.

CODELCO's business plans are based on estimates of the volume and grade of CODELCO's ore deposits that could be incorrect.

CODELCO's ore deposits (its resources and reserves) described in this offering memorandum constitute estimates based on standard evaluation methods generally used in the international mining industry and on assumptions as to production costs and market prices. The actual ore deposits may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. Lower market prices, as well as increased production costs, reduced recovery rates and other factors, may render CODELCO's ore deposits uneconomic to exploit and may result in revision of its reserve and resource estimates from time to time. Reserve and resource data are not indicative of future results of operations. See "Business and Properties—Resources and Reserves".

CODELCO's business requires substantial capital expenditures.

CODELCO's business is capital intensive. Specifically, the exploration and exploitation of copper reserves, mining, smelting and refining costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require substantial capital expenditures. CODELCO must continue to invest capital to maintain or to increase the amount of copper reserves that it exploits and the amount of copper that it produces. No assurance can be made that CODELCO will be able to maintain its production levels or generate sufficient cash

flow, or that it will have access to sufficient investments, loans or other financing alternatives to continue its exploration, exploitation and refining activities at or above its present levels.

Future performance of the Company depends on the results of current and future innovation and exploration.

CODELCO has a two-pronged exploration program that is focused on increasing reserves of its existing divisions and exploring for new deposits outside of its current operations. As the ore quality of CODELCO's reserves continue to decline over time, innovation and exploration is increasingly important to CODELCO's success. While initial results have been favorable, there can be no guarantee that CODELCO's exploration program will continue to meet with success. See "Business and Properties—Resource Development".

Labor disruptions could affect CODELCO's production levels.

Approximately 97% of CODELCO's work force is covered by collective bargaining agreements with labor unions. Most of these collective bargaining agreements have terms of two to four years.

Although management believes its present labor relations are good, CODELCO has experienced work slowdowns, work stoppages and strikes in the past. Most of these work actions have been for only a few days, including a work slowdown in 1998 and a strike of approximately five days in October 2002 at CODELCO's executive offices in Santiago. In June 2003, CODELCO experienced a short strike by approximately 1,500 subcontractors who work at El Teniente, which temporarily negatively affected CODELCO's production levels. In December 2003, CODELCO experienced an eleven-day strike in the Andina division and in October 2004 experienced a nine-day strike in the Codelco Norte division. While none of these recent strikes had a material effect on our results of operations, CODELCO has experienced more protracted work actions in the past. There can be no assurance that a work slowdown, a work stoppage or strike will not occur prior to or upon the expiration of the current labor agreements and management is unable to estimate the effect of any such work slowdown, stoppage or strike on CODELCO's production levels. Work slowdowns, stoppages or other labor-related developments affecting CODELCO could have a material adverse effect on the business, financial condition, results of operations or prospects of CODELCO. See "Business and Properties—Employees".

CODELCO engages in hedging activities from time to time.

Depending on market fundamentals and other considerations, CODELCO has engaged, from time to time, in certain hedging activities, such as futures and min/max option contracts, in order to moderate the effects of the volatility of copper prices, foreign exchange rates and, to a lesser degree, interest rates. Subject to market conditions, CODELCO may choose to engage in hedging activities that expose CODELCO to certain risks, including the risk of default by its counterparty to a hedging arrangement and the risk that markets move against CODELCO's hedged positions. CODELCO periodically enters into futures contracts at the request of customers with respect to certain sales of its own copper in order to provide its customers with protection against fluctuation in the sale price paid in connection with such sales. CODELCO has also entered into forward exchange contracts to hedge the risk of fluctuations in the UF to U. S. dollar exchange rate for its outstanding UF-denominated bonds. To a lesser extent CODELCO has entered into interest rate swaps to hedge contracts at fixed interest rates for future obligations denominated in U. S. dollars. No assurance can be made that CODELCO will be adequately protected by hedging arrangements from future changes in copper prices, foreign exchange rates and interest rates. See "Business and Properties—Marketing—Pricing and Hedging" and "Business and Properties—Legal Proceedings".

Risks Relating to CODELCO's Relationship with the Chilean State

Important corporate governance matters, the annual budget and financing programs are determined by or subject to the approval of the President of the Republic and the Ministries of Mining and Finance.

CODELCO is a mining, industrial and commercial state-owned enterprise created pursuant to and governed by Decree Law 1.350 of Chile. In accordance with that law, CODELCO is a legal entity that has its own capital. CODELCO's link to the Government of Chile is through the Ministry of Mining. The President of the Republic names CODELCO's seven directors and must approve any amendments to CODELCO's by-laws. Pursuant to

Decree Law 1.350, CODELCO's Board of Directors must also submit its proposed annual budget to the Ministries of Mining and Finance for approval and possible revision. In addition, Decree Law 1.350 directs CODELCO to include as part of its proposed annual budget a debt amortization budget that includes interest and principal payments on CODELCO's debts, including the notes. There is no guarantee that actions taken with respect to appointment of CODELCO's directors, amendments to its by-laws, and revision and approval of its budget are or will be the same as they would be in a privately owned company. See "Regulatory Framework".

CODELCO's use of net income is restricted, and is subject to the approval of the Ministries of Mining and Finance.

As a state-owned enterprise, it is CODELCO's policy to transfer 100% of its net income to the Chilean Treasury. However, CODELCO's Board of Directors may propose to the Ministries of Mining and Finance that a portion of its net income be kept by CODELCO as retained earnings. The Ministries may implement this proposal by joint decree. CODELCO cannot guarantee that the Ministries will issue such a decree if and when CODELCO requests to retain earnings. If CODELCO's funding through depreciation, amortization and deferred taxes were to prove insufficient to fund capital expenditures, and if a proposal to retain net income were made by the Company's Board of Directors and not approved by the Ministries, CODELCO's business could be adversely affected if it is unable to otherwise finance planned expenditures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Regulatory Framework".

CODELCO is subject to special taxes and distributions.

Law 13.196 of Chile requires the payment of a 10% export tax on the export of copper and related by-products produced by CODELCO. In addition, under Chilean Law, CODELCO's net earnings are subject to an additional tax of 40% above and beyond the usual first category company tax, which is 17% in 2004. This 40% tax is established by Article 2 of the Decree Law 2.398, and reduces the net income of CODELCO. For 2003, CODELCO distributed a total of U.S.\$642 million (including income tax and export tax payments and distributions) to the Chilean Treasury. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Distributions to the Chilean Treasury" and "Regulatory Framework".

Constitutional amendments could be proposed that would allow private ownership of CODELCO.

CODELCO is 100% owned by the Chilean State and a constitutional amendment approved by the Chilean Congress would be required to allow private participation in CODELCO's ownership. Although there has been no formal governmental action to permit private investment in CODELCO, no assurance can be made that such constitutional amendment will not be proposed to the Chilean Congress in the future. See "Regulatory Framework—Overview of the Regulatory Regime".

Risks Relating to Chile

CODELCO's growth and profitability depend on political stability in Chile and other emerging markets.

Almost all of CODELCO's revenues are derived from its operations in Chile. Accordingly, CODELCO's results of operations and general financial condition depend in part on Chilean markets for labor and certain materials and equipment, and on factors relating to Chilean political stability generally. While Chile has experienced relative political stability in recent years, there can be no assurance that future developments in or affecting the Chilean political situation, including economic or political instability in other emerging markets, will not result in material and adverse effects on CODELCO's business, financial condition or results of operations. CODELCO could also be affected by regulatory changes in administrative practices, over which CODELCO has no control.

CODELCO's business performance is subject to the effects of inflation and changes in the value of the peso.

Although Chilean inflation has been reduced in recent years, Chile has experienced high levels of inflation in the past. High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on CODELCO's results of operations. There can be no assurance that Chilean inflation will not revert to prior levels in the future.

The following table shows the annual rate of inflation (as measured by changes in the Chilean consumer price index and as reported by the *Instituto Nacional de Estadísticas*, or the Chilean National Institute of Statistics) during the last five years ended December 31 and in the first six months of 2004:

<u>Year</u>	<u>Inflation (CPI)</u> (in percentages)
1999	2.3
2000	4.5
2001	2.6
2002	2.8
2003	1.1
2004 (through June 30, 2004).....	1.6

Source: Chilean National Institute of Statistics

A significant portion of CODELCO's operating costs are denominated in pesos and could therefore be significantly affected by the rate of inflation in Chile. If inflation in Chile were to increase without a corresponding depreciation of the peso, or if the value of the peso were to appreciate relative to the U.S. dollar without the peso experiencing corresponding deflation in Chile, the financial position and results of operations of CODELCO as well as the value of the notes could be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

The variation of the U.S. dollar against the peso constitutes the main exchange exposure of CODELCO. The mismatch between assets and liabilities denominated in pesos amounts to a net liability for the Company equivalent to U.S.\$751 million (9.1% of the total amount of assets on a consolidated basis) as of June 30, 2004. In order to cover this risk, CODELCO has in the past entered into hedge transactions in order to mitigate the effects of the volatility of foreign exchange rates. See "Risk Factors—Risks Relating to CODELCO'S Operations—CODELCO engages in hedging activities from time to time".

Chile has different corporate disclosure and accounting standards than those you may be familiar with in the United States.

The accounting, financial reporting and securities disclosure requirements in Chile differ from those in the United States. Accordingly, the information about CODELCO available to you will not be the same as the information available to investors in a U.S. company. See "Annex A — Principal Differences between Chilean GAAP and U.S. GAAP".

The securities laws of Chile have as a principal objective promoting disclosure of all material corporate information to the public. Chilean disclosure requirements, however, differ from those in the United States in some important respects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States and in certain respects the Chilean securities markets are not as highly regulated and supervised as the U.S. securities markets.

Risks Relating to the Offering

In case of a default under the notes, the ability of holders to attach property of CODELCO may be limited by law.

CODELCO's activities in Chile are dependent on concessions granted by the Chilean Ordinary Courts with respect to CODELCO's mining rights. These concessions are granted for indefinite terms in the case of exploitation

concessions and for two-year periods in the case of exploration concessions (renewable with certain limitations). As a general matter, the Ordinary Courts, through legal proceedings brought by third parties (or by the Chilean Treasury in case of noncompliance with the obligation to pay annual fees), have the legal right to terminate or annul the concessions. Pursuant to the Chilean Mining Code, all mining concessions as well as certain raw materials and property related to the extraction of minerals cannot be subject to an order of attachment, except with respect to mortgages or where the debtor consents to the attachment in the relevant legal proceeding. In addition, pursuant to the Chilean Constitution, mining concessions corresponding to mining deposits exploited by CODELCO upon its creation in 1976 cannot be subject to attachment nor to any act of disposition by CODELCO. As a result, the rights of holders to attach property of CODELCO in the event of a default under the notes would be limited by such provisions. See “Regulatory Framework—Mining Regulations”.

If certain changes to tax law were to occur, CODELCO would have the option to redeem the notes.

Under current Chilean law and regulations, payments of interest to holders of the notes that are not residents of Chile for purposes of Chilean taxation generally will be subject to Chilean withholding tax at a rate of 4.0%. Subject to certain exemptions, CODELCO will pay Additional Amounts so that the amount received by the Holder after Chilean withholding tax will equal the amount that would have been received if no such taxes had been applicable. The notes are redeemable at the option of CODELCO in whole (but not in part), at any time at the principal amount thereof plus accrued and unpaid interest and any Additional Amounts due thereon if, as a result of changes in the laws or regulations affecting Chilean taxation, CODELCO becomes obligated to pay Additional Amounts with respect to interest on the notes at a rate of withholding or deduction in excess of 4.0%. CODELCO is unable to determine whether such an increase in the withholding tax rate will ultimately be presented to or enacted by the Chilean Congress; however, if such an increase were enacted the notes would be redeemable at the option of CODELCO. See “Description of Notes—Tax Redemption” and “Taxation—Chilean Taxation”.

The market value of the notes may depend on economic conditions in Latin America over which CODELCO has no control.

The market value of securities of Chilean companies, including CODELCO, is affected to varying degrees by economic and market conditions in other Latin American countries. Although economic conditions in such countries may differ significantly from economic conditions in Chile, investors’ reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Chilean issuers. International financial markets have in recent years experienced volatility due to a combination of international political and economic events. There can be no assurance that deterioration of Latin American economies or other events in or outside of the region will not adversely affect the market value of the notes.

The transferability of the notes may be limited by the absence of an active trading market and restrictions on transfer under applicable securities law.

The notes have not been registered under the Securities Act or any state securities laws. CODELCO does not intend to list the notes on any national securities exchange or to seek admission of the notes for trading on any securities exchange in the United States; however, application has been made to list the notes on the Luxembourg Stock Exchange. Furthermore, CODELCO does not intend to exchange the notes for notes that are registered under the Securities Act. The initial purchasers are not obligated to make a market in the notes. No assurance can be made about the liquidity of any markets that may develop for the notes, the ability of holders to sell the notes or the prices at which the notes could be sold. Future trading prices of the notes will depend on many factors, including prevailing interest rates, CODELCO’s operating results and the market for similar securities. There can be no assurance that any active trading market will develop for the notes or that you will be able to transfer or resell the notes without registration under applicable securities laws.

USE OF PROCEEDS

The total net proceeds from the offering of the notes are estimated to be U.S.\$482,620,000 after deducting commissions paid to the initial purchasers, a Chilean stamp tax of U.S.\$8,040,000, and estimated legal fees and all other expenses payable by the Company in connection with the offering. The use of proceeds from the issuance of the notes is intended to partially finance capital expenditures and to refinance approximately U.S.\$300 million of CODELCO's financial debt. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Investment Policy".

CAPITALIZATION

The following table sets forth the capitalization of CODELCO in accordance with Chilean GAAP at June 30, 2004 and as adjusted to give effect to the offering of the notes and the intended uses of proceeds thereof. This table should be read in conjunction with CODELCO's Consolidated Financial Statements, including the notes thereto, included elsewhere in this offering memorandum.

	June 30, 2004	
	Actual	As Adjusted
	(in thousands of U.S.\$)	
Short -term debt		
Current portion of bank debt.....	\$ 399,290	\$ 99,290 ⁽¹⁾
Current portion of bonds payable.....	15,343	15,343
Short-term notes payable.....	975	975
Total short-term debt.....	\$ 415,608	\$ 115,608
Long-term debt		
Bank debt	\$ 900,000	\$ 900,000
7.375% Notes due 2009.....	300,000	300,000
4.0% UF Notes due 2012	187,098 ⁽²⁾	187,098 ⁽²⁾
6.375% Notes due 2012	435,000	435,000
5.500% Notes due 2013	500,000	500,000
Notes offered hereby	—	500,000
Long-term notes payable.....	92,375	92,375
Total long-term debt.....	\$ 2,414,473	\$ 2,914,473
Minority interest.....	\$ 1,866	\$ 1,866
Equity		
Paid-in capital.....	\$ 1,524,423	\$ 1,524,423
Other reserves.....	1,311,175	1,311,175
Profits to Chilean Treasury.....	(483,358)	(483,358)
Net income for the period.....	521,572	521,572
Total equity.....	\$ 2,873,812	\$ 2,873,812
Total capitalization (3)	\$ 5,705,759	\$ 5,905,759

(1) Reflects repayment of U.S.\$300 million from proceeds of the notes offered hereunder.

(2) The approximate U.S.\$ equivalent of UF 7 million aggregate principal amount of the 4.0% UF notes due 2012 at an exchange rate of U.S.\$1 = UF 0.0374135 at June 30, 2004.

(3) CODELCO has no convertible debt securities, warrants exercisable for debt securities or other similar securities outstanding.

EXCHANGE RATES

As a general matter, prior to 1989, Chilean law permitted the purchase and sale of foreign exchange only in those cases explicitly authorized by the Central Bank. The *Ley Orgánica Constitucional del Banco Central de Chile 18.840* (the “Chilean Central Bank Act”) liberalized the rules that govern the purchase and sale of foreign currency. The Act empowers the Central Bank to determine that certain purchases and sales of foreign currency specified by law must be carried out in the *Mercado Cambiario Formal* (the “Formal Exchange Market”). The Formal Exchange Market is formed by the banks and other entities so authorized by the Central Bank. For more information, see “Foreign Investment and Exchange Controls in Chile”. The observed exchange rate for any given day equals the average exchange rate of the transactions conducted in the Formal Exchange Market on the immediately preceding banking day, as certified by the Central Bank (the “Observed Exchange Rate”). Even though the Central Bank is authorized to carry out its transactions at the rates it sets, it generally uses the spot rate for its transactions. Authorized transactions by other banks are generally carried out at the spot rate.

Purchases and sales of foreign exchange which may be effected outside the Formal Exchange Market can be carried out in the *Mercado Cambiario Informal* (the “Informal Exchange Market”). There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate. On December 31, 2003, the average exchange rate in the Informal Exchange Market, as published by *Estratégia* (an unofficial Chilean financial publication), was nearly identical to the published Observed Exchange Rate of Ch\$593.80 per U.S. dollar.

The following table sets forth the annual high, low, average and period-end Observed Exchange Rate for U.S. dollars for each year beginning in 1999 as reported by the Central Bank of Chile. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

Observed Exchange Rates
(Ch\$ per U.S.\$)

	High (1)	Low (1)	Average (2)	Period-End
1999	550.93	468.69	508.78	530.07
2000	580.37	501.04	539.49	573.65
2001	716.62	557.13	634.94	654.79
2002	756.56	641.75	688.94	718.61
2003	758.21	593.10	691.40	593.80
2004 (through October 21).....	649.45	559.21	614.00	612.25

(1) Rates shown are the actual low and high on a daily basis for periods indicated.

(2) Represents the average of average monthly rates for the periods indicated.

Source: Central Bank of Chile.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents selected consolidated financial data of CODELCO and other data as of and for each of the periods indicated. This data is qualified in its entirety by reference to, and should be read together with, CODELCO's Consolidated Financial Statements and notes thereto, from which all such data (other than the average LME copper prices, cash cost and the components of total sales and total cost of sales) has been derived. The unaudited interim information for the six-month periods ended June 30, 2003 and 2004 includes all adjustments, consisting of only normal recurring adjustments, that in the opinion of management are necessary for the fair presentation of such information. The unaudited results of operations for the six months ended June 30, 2004 are not necessarily indicative of the results to be expected for the year ending December 31, 2004 or any other period. The data should also be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations". The Consolidated Financial Statements are prepared in accordance with Chilean GAAP, which differs in certain significant respects from U.S. GAAP. See "Annex A—Principal Differences between Chilean GAAP and U.S. GAAP".

	As of or for the year ended December 31,					As of or for the six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
	(in thousands of U.S.\$, except for ratios and copper prices)						
CONSOLIDATED STATEMENTS OF INCOME							
Total sales.....	\$ 3,114,305	\$ 3,822,259	\$ 3,563,973	\$ 3,489,879	\$ 3,781,786	\$ 1,668,267	\$ 3,905,961
Sales of CODELCO's own copper.....	2,256,613	2,701,158	2,561,771	2,415,316	2,551,055	1,107,785	2,731,734
Sales of third-party copper.....	381,532	568,366	553,902	574,901	618,861	297,987	576,869
Sales of by-products.....	476,160	552,735	448,300	499,662	611,870	262,495	597,358
Total cost of sales (1).....	(2,304,628)	(2,771,847)	(2,896,809)	(2,786,942)	(2,781,209)	(1,291,865)	(2,211,241)
Cost of CODELCO's own copper.....	(1,607,048)	(1,772,090)	(1,990,139)	(1,838,736)	(1,754,736)	(811,130)	(1,361,205)
Cost of third-party copper.....	(373,202)	(562,366)	(543,880)	(571,510)	(610,343)	(297,561)	(571,118)
Cost of by-products.....	(324,378)	(437,391)	(362,790)	(376,696)	(416,130)	(183,174)	(278,918)
Gross profit.....	809,677	1,050,412	667,164	702,937	1,000,577	376,402	1,694,720
Selling and administrative expenses.....	(154,461)	(149,037)	(138,131)	(159,676)	(167,274)	(92,825)	(90,131)
Operating income.....	655,216	901,375	529,033	543,261	833,303	283,577	1,604,589
Non-operating income (expense) (2).....	(320,356)	(420,625)	(376,704)	(414,598)	(475,648)	(194,957)	(340,210)
Income before taxes.....	334,860	480,750	152,329	128,663	357,655	88,620	1,264,379
Taxes (3).....	(191,528)	(275,199)	(126,757)	(81,795)	(269,331)	(55,093)	(742,861)
Minority interest.....	(11)	(164)	2	1,608	906	306	54
Net income	<u>\$ 143,321</u>	<u>\$ 205,387</u>	<u>\$ 25,574</u>	<u>\$ 48,476</u>	<u>\$ 89,230</u>	<u>\$ 33,833</u>	<u>\$ 521,572</u>
BALANCE SHEET INFORMATION (END OF PERIOD)							
Cash.....	\$ 14,822	\$ 10,445	\$ 9,620	\$ 12,019	\$ 15,784	\$ 16,006	\$ 19,723
Time deposits and marketable securities.....	166,219	41,194	27,043	141,560	44,060	40,032	266,054
Accounts, notes and other accounts receivable, net.....	340,504	305,389	393,692	360,575	484,322	353,256	644,362
Inventories.....	551,019	599,708	509,272	494,579	879,108	596,795	788,267
Prepaid expenses and all other current assets.....	39,672	90,029	137,240	212,856	427,789	316,372	139,905
Total current assets.....	1,112,236	1,046,765	1,076,867	1,221,589	1,851,063	1,322,461	1,858,311
Total property, plant and equipment.....	4,348,805	4,446,017	4,572,260	4,904,550	5,260,679	4,979,288	5,318,601
Long-term accounts receivable.....	97,395	57,025	52,360	63,635	132,088	92,811	130,814
Investments in other companies (4).....	190,334	232,264	216,180	241,354	415,003	288,173	493,653
All other assets.....	44,969	67,307	201,971	301,837	432,967	340,512	441,309
Total assets	<u>\$ 5,793,739</u>	<u>\$ 5,849,378</u>	<u>\$ 6,119,638</u>	<u>\$ 6,732,965</u>	<u>\$ 8,091,800</u>	<u>\$ 7,023,245</u>	<u>\$ 8,242,688</u>
Total current liabilities.....	<u>\$ 775,611</u>	<u>\$ 786,184</u>	<u>\$ 834,691</u>	<u>\$ 1,027,677</u>	<u>\$ 1,326,354</u>	<u>\$ 1,239,184</u>	<u>\$ 1,172,671</u>
Total long-term liabilities.....	<u>2,236,428</u>	<u>2,278,654</u>	<u>2,575,899</u>	<u>2,972,655</u>	<u>3,941,992</u>	<u>3,006,786</u>	<u>4,194,339</u>
Minority interest.....	141	7,764	9,107	(432)	2,035	769	1,866
Total equity.....	<u>2,781,559</u>	<u>2,776,776</u>	<u>2,699,941</u>	<u>2,733,065</u>	<u>2,821,419</u>	<u>2,776,506</u>	<u>2,873,812</u>
Total liabilities and equity.....	<u>\$ 5,793,739</u>	<u>\$ 5,849,378</u>	<u>\$ 6,119,638</u>	<u>\$ 6,732,965</u>	<u>\$ 8,091,800</u>	<u>\$ 7,023,245</u>	<u>\$ 8,242,688</u>
OTHER ITEMS							
Depreciation and amortization.....	\$ 406,909	\$ 422,940	\$ 457,630	\$ 495,750	\$ 463,133	\$ 228,086	\$ 251,529
Interest income (expense), net.....	(85,110)	(95,917)	(88,724)	(67,573)	(97,104)	(45,661)	(65,338)
Ratio of earnings to fixed charges (5).....	4.3x	5.4x	2.5x	2.7x	4.4x	2.8x	19.1x
Average LME copper price (U.S.¢ per pound) (6).....	71.34	82.26	71.59	70.60	80.73	74.95	125.30
Cash cost (U.S.¢ per pound) (7).....	39.8	43.7	40.7	40.9	42.7	41.5	36.6

(1) Cost of sales for any period includes direct and indirect costs, depreciation and amortization associated with the production of copper and by-products, as well as purchase costs of third-party copper, sold by CODELCO in that period.

(2) Non-operating income (expense) is comprised principally of profits on sales of assets, interest income, interest expense, participation in income and losses from equity method investments, costs of retirement plans and severance indemnities, and the 10% export tax paid by the Company required by Law 13.196. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

(3) Law 13.196 requires the payment of a 10% tax on the export of copper and related by-products produced by CODELCO, which is included in this table as a non-operating expense. In addition, CODELCO provides for income taxes, in accordance with current regulations, comprising a corporate income tax of 17% and the 40% tax on the earnings of state owned enterprises specified by Decree Law 2.398, Art. 2. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Distributions to the Chilean Treasury".

(4) Includes the categories "Investments in related companies" and "Investments in other companies" from CODELCO's Consolidated Financial Statements (including the Company's investments in El Abra and Inversiones Tocopilla Ltd.). See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business and Properties—Joint Ventures".

(5) For the purpose of calculating CODELCO's ratio of earnings to fixed charges (i) earnings consist of income before provision for taxes and interest expense and (ii) fixed charges consist of interest expense.

(6) Average price on the London Metal Exchange ("LME") for Grade A cathode copper during period.

(7) Cash cost is calculated in accordance with the methodology specified by Brook Hunt & Associates for determination of C1 cost, or net direct cash cost, and includes all direct cash costs of mining, including costs associated with extraction, leaching, smelting and further processing of copper ores into refined metal, as well as labor, financing, transportation and physical plant costs associated with those processes, net of income from sales of by-products. Cash cost figures are given as nominal dollar amounts, usually expressed as cents per pound, and exclude amortization, depreciation and central office costs.

SELECTED OPERATING DATA

The following table sets forth a summary of the production and sales data of CODELCO for each of the years ended December 31, 1999, 2000, 2001, 2002 and 2003 and for the six months ended June 30, 2003 and 2004. For more information regarding such data, see "Business and Properties".

	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
COPPER MINING OPERATIONS							
Ore Mined (in thousands of dry metric tons):							
Codelco Norte Division(1)							
Chuquicamata.....	64,776	63,776	64,351	62,083	59,208	29,232	33,549
Radomiro Tomic	35,392	38,228	47,453	54,814	58,122	28,859	27,645
El Teniente Division.....	35,158	34,561	34,649	33,812	35,257	16,746	21,391
Andina Division.....	21,355	23,345	24,103	23,211	24,339	12,228	12,035
Salvador Division.....	15,716	16,025	19,129	18,152	18,827	9,758	8,269
Total.....	172,397	175,935	189,685	192,072	195,753	96,823	102,888
Average Copper Ore Grade:							
Codelco Norte Division(1)							
Chuquicamata.....	1.18%	1.17%	1.13%	1.10%	1.10%	1.10%	1.07%
Radomiro Tomic	0.69	0.62	0.65	0.61	0.63	0.66	0.58
El Teniente Division.....	1.16	1.21	1.19	1.13	1.09	1.08	1.09
Andina Division.....	1.30	1.24	1.18	1.07	1.10	1.08	1.10
Salvador Division.....	0.74	0.67	0.61	0.59	0.62	0.58	0.62
Weighted Average.....	1.05%	1.02%	0.97%	0.91%	0.91%	0.93%	0.91%
PLANT COPPER PRODUCTION							
(by division in metric tons):							
Codelco Norte Division(1)							
Chuquicamata.....	630,067	630,119	641,931	596,743	600,629	282,972	193,699
Radomiro Tomic	190,104	191,429	260,336	297,119	306,539	152,509	138,132
El Teniente Division.....	346,283	355,664	355,600	334,306	339,440	152,628	187,451
Andina Division.....	249,328	257,970	253,341	218,706	235,834	116,525	115,808
Salvador Division.....	91,702	80,538	81,166	72,819	80,105	36,419	32,732
Total.....	1,507,484	1,515,720	1,592,374	1,519,693	1,562,548	741,053	767,822
PLANT COPPER PRODUCTION							
(contained copper in metric tons):							
ER Cathodes.....	519,792	497,109	529,884	481,911	450,401	248,302	158,210
SX-EW Cathodes.....	359,266	356,680	432,980	459,750	456,548	224,587	211,704
Fire-refined.....	163,282	159,311	156,734	132,467	141,366	61,079	61,405
Blister.....	190,642	206,606	193,783	203,350	205,991	86,255	71,118
Concentrates.....	274,502	296,014	278,993	242,215	308,242	120,830	265,385
Total.....	1,507,484	1,515,720	1,592,374	1,519,693	1,562,548	741,053	767,822
MOLYBDENUM PRODUCTION							
(contained molybdenum in metric tons).....							
COPPER SALES							
(in metric tons, includes sales of third-party copper):							
Cathodes.....	1,444,609	1,458,169	1,645,024	1,576,544	1,381,206	695,065	876,056
Fire-refined.....	162,856	158,232	154,268	137,719	135,774	60,661	63,039
Blister.....	43,434	74,008	69,063	85,879	69,611	15,115	37,056
Concentrates.....	122,155	181,883	196,615	129,823	206,892	92,171	229,965
Total.....	1,773,054	1,872,292	2,064,970	1,929,965	1,793,483	863,012	1,206,116
COPPER EXPORTS							
(in metric tons includes sales of third-party copper):							
Cathodes.....	1,337,711	1,315,889	1,530,092	1,427,857	1,333,008	603,341	847,626
Fire-refined.....	152,622	144,589	142,324	122,677	118,707	52,105	54,607
Blister.....	18,347	34,214	28,399	22,966	24,073	9,434	24,865
Concentrates.....	122,230	147,856	161,962	88,673	134,434	66,725	164,152
Total.....	1,630,910	1,642,548	1,862,777	1,662,173	1,610,222	731,605	1,091,250
INVENTORIES OF COPPER AT PERIOD-END							
(in metric tons).....							
120,220	136,656	88,123	119,994	337,980	178,172	171,697	

(1) On August 1, 2002, CODELCO consolidated the Chuquicamata and Radomiro Tomic Divisions into the new Codelco Norte Division. See "Business and Properties—Copper Production—Codelco Norte Division".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto included elsewhere in this offering memorandum as well as the data set forth in "Selected Consolidated Financial Data".

Overview

CODELCO is the world's largest copper producer and one of the largest companies in Chile in terms of sales. CODELCO engages primarily in the exploration, development and extraction of ores bearing copper and by-products, the processing of ore into refined copper and the international sale of refined copper and by-products. In 2003, CODELCO derived 83.8% of its total sales from copper and 16.2% of its total sales from by-products of its copper production, primarily molybdenum.

CODELCO's financial performance is significantly affected by the market prices of copper. Copper prices have fluctuated considerably in recent years. After reaching their lowest levels in over 50 years in 1999, copper prices recovered slightly in 2000, before returning to historic lows in 2001 and 2002. Since the fourth quarter of 2002 copper prices have increased relatively steadily. LME copper prices averaged 80.7 cents per pound in 2003, as compared to 70.6 cents per pound in 2002 and 71.6 cents per pound in 2001. The increase in copper prices contributed significantly to the 8.4% increase in CODELCO's sales in 2003 as compared to 2002. In the first half of 2004, the trend of increasing copper prices continued, reaching levels not seen since 1995, with an average of 125.3 cents per pound. See "Overview of the Copper Market". As with the prices for other commodities, copper prices have historically been subject to wide fluctuations. Depending on market fundamentals and other considerations, CODELCO engages from time to time in certain hedging activities, such as futures and min/max option contracts, in order to moderate the effect of the volatility of copper prices. CODELCO periodically enters into futures contracts at the request of customers with respect to sales of its own copper in order to provide protection to its customers against fluctuation in the sale price paid by them in connection with such sales. See "Business and Properties—Marketing—Pricing and Hedging".

Sale prices for CODELCO's products are established principally by reference to prices quoted on the LME and the New York Commodity Exchange ("COMEX") in the case of copper, or prices published in "Metals Weekly" in the case of molybdenum. The substantial majority of copper produced by CODELCO is sold under annual contracts to clients who have long-term relationships with CODELCO. Pricing under such contracts is based on prevailing average copper prices for a quotational period, generally for the month following shipment. Revenues under such contracts are recorded at provisional prices determined at the time of shipment. Usually, an adjustment is then made after delivery of the copper, based on the pricing terms contained in the applicable contract.

Worldwide demand for copper affects the market price of copper, and CODELCO makes production and sales decisions based upon prevailing and forecast market prices. Due to conditions in the copper market, CODELCO reduced its planned copper production for 2002 by approximately 100,000 tons. This reduction did not have an effect on CODELCO's ability to meet its existing contractual obligations for the delivery of copper to its customers. In 2003, CODELCO increased production by approximately 42,855 tons, returning almost to its 2001 level of copper production. Despite this increase in production in 2003, CODELCO stored 200,000 tons of fine copper from its 2003 production as inventory and committed to retain this stock in inventory until the inventories of the London, Shanghai and New York Metal Exchanges were reduced to a level of 800,000 tons of fine copper. At December 31, 2003, these inventories were reduced to 808,469 tons, down from 1,293,763 tons at December 31, 2002. By January 30, 2004 these inventories further decreased to 601,717 tons of fine copper, thus achieving the conditions necessary to enable CODELCO to sell its own inventories. CODELCO announced its decision to begin selling this inventory on January 7, 2004, and has begun to do so gradually. At June 30, 2004, there were 260,813 tons of inventory remaining. CODELCO financed the production cost of the fine copper it added to its inventory primarily with lines of credit.

CODELCO's financial performance is also significantly affected by the relationship of copper prices to production costs. In 2003, CODELCO's annual production of its own copper was 1.5 million tons. Accordingly, each one cent change in CODELCO's average annual copper price per pound caused a variation in operating profit

of approximately U.S.\$33 million. In addition, CODELCO is continuing to focus on controlling its production costs, which continue to be a key component of CODELCO's financial performance. Cash costs of production are influenced by mining and production practices, as well as the type of ore from which copper is produced, production levels of and market prices for by-products, and exchange rates. Because a significant portion of CODELCO's costs are in pesos, depreciation of the peso reduces CODELCO's cash costs in dollar terms and appreciation increases these costs. See "Exchange Rates." CODELCO's cash cost of production was 40.7 cents, 40.9 cents and 42.7 cents per pound in 2001, 2002, and 2003, respectively, and 36.6 cents per pound for the first six months of 2004. The decrease in cash costs in the first six months of 2004 compared with the same period in 2003 is primarily due to an increase in the market price of molybdenum.

In addition to selling its current production of copper, CODELCO may sell from its inventories of copper to meet the demand of its customers. CODELCO also purchases copper from third parties in the spot market for resale. The Company makes these purchases and sales of third-party copper when it deems that market conditions favor such transactions and potential profit margins between purchase and sale prices exist. CODELCO has no long-term commitments regarding third-party copper purchases or sales. CODELCO also engages in copper transactions with its affiliates at market terms. In addition, CODELCO purchases copper from its affiliates for further processing and resale.

CODELCO continues to develop and refine management practices and programs to control the cost of copper production and to maintain the substantial cost savings achieved in past years, which CODELCO believes has been a significant factor in remaining profitable during times of depressed copper prices. These practices and programs include the following: (i) improved deposit identification and mining techniques, (ii) the development of a workforce and management partnership which, together with workforce reductions and advances in mining technology, has resulted in improved labor productivity (the amount of copper produced per worker has increased 23.1% from 76.1 tons in 1998 to 93.7 tons in 2003), (iii) early retirement and workforce reduction programs, (iv) decreased spending on the outsourcing of maintenance and operational support services, and (v) reduced expenses for materials used in the processes of copper production due to improved relationships with suppliers.

The Radomiro Tomic facility is the largest SX-EW facility, and one of the lowest-cost copper operations, in the world. Radomiro Tomic had an initial capacity of 150,000 metric tons of Grade A cathodes and a cash cost of 36.7 cents per pound during its first year of operation in 1998. In 2003, Radomiro Tomic produced 306,539 metric tons and had a cash cost of 31.9 cents per pound. In 2003, CODELCO invested more than U.S.\$895 million mainly in the development of the El Teniente Division, improvements to the concentrator plant and refinery at Codelco Norte and the development of the northern extension of Mina Sur. See "Business and Properties".

The following table sets forth, for the three years ended December 31, 2003 and for the two six-month periods ended June 30, 2003 and 2004, the components of CODELCO's consolidated statements of operations expressed as a percentage of total sales:

	Year ended December 31,			Six months ended June 30,	
	2001	2002	2003	2003	2004
Total sales.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	(81.3)	(79.9)	(73.5)	(77.4)	(56.6)
Gross profit.....	18.7	20.1	26.5	22.6	43.4
Selling and administrative expenses.....	(3.9)	(4.6)	(4.4)	(5.6)	(2.3)
Operating income.....	14.8	15.6	22.0	17.0	41.1
Non-operating income (expense).....	(10.6)	(11.9)	(12.6)	(11.7)	(8.7)
Income before taxes.....	4.3	3.7	9.5	5.3	32.4
Taxes.....	(3.6)	(2.3)	(7.1)	(3.3)	(19.0)
Net income	0.7%	1.4%	2.4%	2.0%	13.4%

The following table sets forth, for the three years ended December 31, 2003 and for the six months ended June 30, 2003 and 2004, certain price, volume and cost data:

	Year ended December 31,			Six months ended June 30,	
	2001	2002	2003	2003	2004
CODELCO Average Metal Price (per pound)(1)					
Copper.....	\$ 0.68	\$ 0.69	\$ 0.80	\$ 0.73	\$ 1.27
Molybdenum.....	\$ 2.27	\$ 3.53	\$ 4.94	\$ 4.14	\$ 11.40
CODELCO Sales Volume (in tons)					
Own copper	1,719,116	1,581,778	1,427,510	687,181	1,002,582
Third-party copper	345,854	351,993	365,973	175,831	203,534
Total copper.....	<u>2,064,970</u>	<u>1,933,771</u>	<u>1,793,483</u>	<u>863,012</u>	<u>1,206,116</u>
Molybdenum (in oxide and concentrate).....	24,385	19,355	21,755	10,080	15,093
CODELCO's Cash Cost of Production (per pound).....	40.7¢	40.9¢	42.7¢	41.5¢	36.6¢

(1) The average metal price is the weighted average of prices actually paid to CODELCO for its product mix.

Results of Operations for the Six-Month Periods ended June 30, 2003 and 2004

The following table sets forth CODELCO's summarized results of operations for the six-month period ended June 30, 2003 and 2004:

	Six months ended June 30,		% Change (2003/2004)
	2003	2004	
	(in millions of U.S.\$)		
Total Sales.....	\$ 1,668	\$ 3,906	134.2%
Cost of sales.....	(1,292)	(2,211)	71.1
Gross profit.....	376	1,695	350.8
Selling and administrative expenses.....	(93)	(90)	(3.2)
Operating income.....	284	1,605	465.1
Non-operating income (expense).....	(195)	(340)	74.4
Income before taxes.....	89	1,265	1,321.3
Taxes.....	(55)	(743)	1,250.9
Net income	34	522	1,435.3

Total sales. The following table sets forth CODELCO's total sales for the six months ended June 30, 2003 and 2004:

	Six months ended June 30,		% Change 2003/2004
	2003	2004	
	(in millions of U.S.\$)		
Total Sales.....	\$ 1,668	\$ 3,906	134.2%
Sales of CODELCO's own copper.....	1,108	2,732	146.6
Sales of third-party copper.....	298	577	93.6
Sales of by-products.....	262	597	127.9

Revenues from sales of CODELCO's own copper for the first six months of 2004 increased 146.6% to U.S.\$2.73 billion, from U.S.\$1.11 billion for the same period in 2003. This increase in revenue was principally due to an increase in the average copper prices CODELCO received for its product mix, as well as a 43.4% increase in the tonnage of CODELCO's own copper sold during the first six months of 2004, as compared to the same period in 2003. The increase in tonnage sold was a consequence of the sales of inventory stored in 2003.

Third-party copper sales totaled U.S.\$577 million in the first six months of 2004, as compared with U.S.\$298 million in the first six months of 2003, primarily due to higher average prices in the copper market during the first half of 2004.

Sales of by-products increased by 127.9% to U.S.\$597 million in the first half of 2004, from U.S.\$262 million for the same period in 2003. This increase was due partially to a 175% increase in the average price of molybdenum (a significant component of CODELCO's by-product sales) in the first six months of 2004 compared to the same period in 2003 and to increased copper production, which resulted in an increase in the volume of by-products produced and sold. The increase was also due to a U.S.\$90 million, or 53%, increase in CODELCO's sales of wire rod (which it primarily conducts through a German subsidiary) from U.S.\$171 million in the first half of 2003 to U.S.\$261 million in the first half of 2004.

Cost of Sales. CODELCO's cost of sales in any period includes the mining and production costs of its own copper and by-products, as well as the purchase costs of third-party copper, sold by CODELCO in that period. The following table sets forth CODELCO's total cost of sales for the six months ended June 30, 2003 and 2004:

	Six months ended June 30,		% Change 2003/2004
	2003	2004	
	(in millions of U.S.\$)		
Cost of sales.....	\$ 1,292	\$ 2,211	71.1%
Cost of CODELCO's own copper.....	811	1,361	67.8
Cost of third-party sales.....	298	571	91.6
Cost of by-products.....	183	279	52.5

CODELCO's total cost of sales increased 71.1% to U.S.\$2.21 billion (56.6% of sales) in the first six months of 2004 from U.S.\$1.29 billion (77.4% of sales) in the first six months of 2003.

CODELCO's cost of sales of its own copper increased by 67.8% to U.S.\$1.36 billion in the first six months of 2004 from U.S.\$811 million during the same period in 2003. This increase was primarily due to the previously mentioned increase in tonnage sold and higher operating costs per unit principally resulting from the effects on CODELCO's peso-denominated costs of a 16% appreciation of the peso relative to the dollar during the first six months of 2004 compared to the first six months of 2003.

The cost of copper purchased from third parties increased 91.6% in the first half of 2004 to U.S.\$571 million, as compared with U.S.\$298 million for the same period in 2003, primarily as a result of the increase in the price of copper.

The depreciation of fixed assets is calculated by CODELCO according to the straight-line method based on the estimated useful life of the particular assets. The amortization of the development costs of mines is based on the proportion of the tons of mineral extracted from the mine as compared to the total reserves of the mine. Depreciation and amortization expense increased 10.5% to U.S.\$252 million for the first six months in 2004 from U.S.\$228 million for the same period in 2003. The increase was due to higher levels of investment that resulted in depreciable assets.

Gross profit. Gross profit was U.S.\$1.70 billion for the first six months of 2004, as compared with U.S.\$376 million for the same period in 2003. The increase is explained by the relative changes in the components of CODELCO's sales and cost of sales discussed above.

Selling and administrative expenses. Selling and administrative expenses were U.S.\$90 million for the six-month period ended June 30, 2004, as compared with U.S.\$93 million for the same period in 2003, or 2.3% and 5.6% of total sales, respectively.

Operating income. Operating income in the first six months of 2004 amounted to U.S.\$1.61 billion, as compared with U.S.\$284 million in the first six months of 2003.

Non-operating income (expense). Non-operating income (expense) is comprised principally of gains on sales of assets, interest income, interest expense, CODELCO's equity participation in subsidiaries, export taxes and costs related to retirement plans and severance indemnities.

The following table sets forth the principal components of CODELCO's non-operating income (expense) for the periods indicated:

	Six months ended June 30,		% Change 2003/2004
	2003	2004	
	(in millions of U.S.\$)		
Law 13.196 export tax	\$ (113)	\$ (275)	143.4%
Interest expense.....	(49)	(70)	42.9
Equity participation in gains (losses) of:			
Sociedad Contractual Minera El Abra	(8)	49	712.5
Inversiones Tocopilla Ltda.	4	0	(100)
Electroandina S.A.	0	(2)	
Inversiones Mejillones.....	6	5	16.7
Other equity investments, net.....	(2)	(8)	300
Sale of assets (includes Coya y Pangal).....		76	
Accrued expenses.....	(33)	(137)	315.2
Other.....	0	22	
Total non-operating income (expense).....	\$ (195)	\$ (340)	74.4%

Non-operating expense totaled U.S.\$340 million in the first half of 2004, compared to an expense of U.S.\$195 million in the first half of 2003 (an increase in non-operating expense of U.S.\$145 million, or 74.4%).

In the first six months of 2004 and 2003, CODELCO recorded U.S.\$275 million and U.S.\$113 million, respectively, pursuant to Law No. 13.196, which levies against CODELCO a 10% tax on exports of its own copper and related by-products. Under Chilean GAAP, this export tax is treated as a non-operating expense. The increase of U.S.\$162 million in the amount of this tax recorded in the first six months of 2004 compared to the same period in 2003 is due to a corresponding increase in export sales. Non-operating expense in the first six months of 2004 included U.S.\$70 million of interest expense, as compared to interest expense of U.S.\$49 million in the first six months of 2003, an increase of U.S.\$21 million. This increase is primarily explained by CODELCO's incurrence of additional financial indebtedness between periods and the interest expense relating to this new debt. CODELCO's net equity participation in related companies increased to a net gain of U.S.\$44 million during the first half of 2004, as compared to a net gain of U.S.\$0.6 million in 2003. This increase is primarily due to CODELCO's share of the change in the financial results of El Abra, which improved from a loss of U.S.\$8 million during the first six months of 2003 to a profit of U.S.\$49 million during the same period in 2004, and to the profit from the sale of the Coya and Pangal assets for U.S.\$76 million in April 2004.

In the first six months of 2004, provision for pre-investment expenses, severance indemnities, contingency accrual and labor-related illness increased by U.S.\$104 million to U.S.\$137 million compared to the same period in 2003. This increase is primarily due to a U.S.\$44 million increase in contingency accrual and a U.S.\$48 million increase in severance indemnities.

For more information on other non-operating income (expense) see Notes 9, 18, 19 and 20 of Notes to CODELCO's Interim Consolidated Financial Statements.

Income before taxes. Income before taxes was U.S.\$1.26 billion in the first half of 2004, as compared with U.S.\$89 million in the same period in 2003.

Taxes. The Company provides for income taxes of 57%, in accordance with regulations, comprising a corporate income tax of 17% (which was 16.5% in 2003 and 16.0% in 2002) and the 40% tax on the earnings of state-owned enterprises specified in Decree Law 2.398, Art 2. CODELCO's taxes on income were U.S.\$743 million and U.S.\$55 million for the first six months of 2004 and 2003, respectively.

Net income. CODELCO's net income in the first half of 2004 was U.S.\$522 million, as compared with U.S.\$34 million in the first half of 2003.

Results of Operations for the Three Years ended December 31, 2003

The following table sets forth CODELCO's summarized results of operations for the years ended December 31, 2001, 2002 and 2003:

	Year ended December 31,			% Change	
	2001	2002	2003	2001/2002	2002/2003
	(in millions of U.S.\$)				
Total sales.....	\$ 3,564	\$ 3,490	\$ 3,782	(2.1)%	8.4%
Cost of sales.....	(2,897)	(2,787)	(2,781)	(3.8)	(0.2)
Gross profit.....	667	703	1,001	5.4	42.4
Selling and administrative expenses.....	(138)	(160)	(167)	15.9	4.4
Operating income.....	529	543	833	2.6	53.4
Non-operating income (expense).....	(377)	(415)	(476)	10.1	14.7
Income before taxes.....	152	128	358	(15.8)	179.7
Taxes.....	(127)	(82)	(269)	(35.4)	228.0
Net income	26	48	89	84.6	85.4

Total sales. The following table sets forth CODELCO's total sales for the years ended December 31, 2001, 2002 and 2003:

	Year ended December 31,			% Change	
	2001	2002	2003	2001/2002	2002/2003
	(in millions of U.S.\$)				
Total sales.....	\$ 3,564	\$ 3,490	\$ 3,782	(2.1)%	8.4 %
Sales of CODELCO's own copper.....	2,562	2,415	2,551	(5.7)	5.6
Sales of third-party copper.....	554	575	619	3.8	7.7
Sales of by-products.....	448	500	612	11.6	22.4

Revenues from sales of CODELCO's own copper in 2003 increased 5.6% to U.S.\$2.55 billion from U.S.\$2.42 billion in 2002, which in turn represented a 5.7% decrease from U.S.\$2.56 billion in 2001. The increase in revenues in 2003 was primarily due to a 15.9% increase in the average price of CODELCO's copper product mix, partially offset by a 10.7% decrease in volume of CODELCO's own copper sales. The decrease in revenues in 2002 was principally due to an 8.0% decrease in sales volume, which was partially offset by a one-cent increase in copper prices for CODELCO's product mix, principally concentrates and anodes. Due to market fluctuations in the price of copper, the average price for CODELCO's copper product mix increased from 68 cents per pound in 2001 to 69 cents in 2002, and further increased to 80 cents in 2003. See "Overview of the Copper Market". Sales volume of CODELCO's own copper totaled 1.42 million tons in 2003, 1.58 million tons in 2002 and 1.72 million tons in 2001.

Third-party copper sales totaled U.S.\$619 million in 2003, as compared with U.S.\$575 million in 2002 and U.S.\$554 million in 2001. The increase in third-party copper sales in 2003 as compared to 2002 resulted from the increase in copper prices and a 3.8% increase in tonnage sold. The increase in third-party copper sales in 2002 primarily resulted from the increase in tonnage sold. In general, changes in the volume of third-party copper sold are dependent upon CODELCO's commercial decision to participate in the spot market for copper based on its evaluation of market conditions.

Sales of by-products increased 22.4% to U.S.\$612 million in 2003 from U.S.\$500 million in 2002, which in turn represented an 11.6% increase from U.S.\$448 million in 2001. The increase in 2003 was mainly due to a 39.9% increase in the average price of molybdenum, a significant by-product, from U.S.\$3.53 in 2002 to U.S.\$4.94 per pound in 2003. The increase from 2001 to 2002 was primarily due to a 55.5% increase in the price of molybdenum, from U.S.\$2.27 to U.S.\$3.53 per pound.

Cost of Sales. CODELCO's cost of sales in any period includes the mining and production costs of its own copper and by-products, as well as the purchase costs of third-party copper, sold by CODELCO in that period. The following table sets forth CODELCO's total cost of sales for the three years ended December 31, 2003:

	Year ended December 31,			% Change	
	2001	2002	2003	2001/2002	2002/2003
	(in millions of U.S.\$)				
Cost of sales.....	\$ 2,897	\$ 2,787	\$ 2,781	(3.8)%	(0.2)%
Cost of CODELCO's own copper.....	1,990	1,839	1,755	(7.6)	(4.6)
Cost of third-party sales	544	571	610	5.0	6.8
Cost of by-products.....	363	377	416	3.9	10.3

CODELCO's total cost of sales decreased 0.2% to U.S.\$2.78 billion (73.5% of sales) in 2003 from U.S.\$2.79 billion (79.9% of sales) in 2002, which in turn represented a 3.8% decrease from U.S.\$2.90 billion (81.3% of sales) in 2001.

The cost of sales of CODELCO's own copper decreased 4.6% to U.S.\$1.76 billion in 2003 from U.S.\$1.84 billion in 2002, which in turn represented a 7.6% decrease from U.S.\$1.99 billion in 2001. The decrease in 2003 as compared to 2002 was primarily due to previously discussed increase in inventories and the reduction in tonnage of CODELCO's own copper sold. The decrease in 2002 as compared to 2001 was primarily due to the 8.0% reduction in tonnage of CODELCO's own copper sold during 2002.

The cost of copper purchased from third parties in 2003 increased 6.8% to U.S.\$610 million from U.S.\$571 million in 2002, as a result of the increase in the price of copper and the increase in the volume of third-party copper purchased by CODELCO. The cost of sales of copper purchased from third parties increased 5.0% to U.S.\$571 million in 2002 from U.S.\$544 million in 2001, reflecting the increase in tonnage purchased.

The cost of sales of copper and other by-products increased 10.3% in 2003 as compared to 2002, primarily due to a 13.8% increase in sales of molybdenum. The 3.9% increase in CODELCO's by-products cost of sales in 2002 as compared to 2001 was primarily due to an increase in the cost of production of CODELCO's by-products due to reduced economies of scale resulting from decreased production.

Depreciation and amortization expense decreased 6.7% to U.S.\$463 million in 2003 from U.S.\$496 million in 2002, which in turn represented an 8.3% increase from U.S.\$458 million in 2001. The decrease in 2003 was primarily due to lower levels of investment that resulted in depreciable assets. The increase in 2002 was primarily the result of higher levels of investment that resulted in depreciable assets.

Gross profit. Gross profit was U.S.\$1.0 billion in 2003, as compared with U.S.\$703 million in 2002 and U.S.\$667 million in 2001. The 42.4% increase in gross profit in 2003 compared to 2002 is due primarily to the increase in copper prices as described above. The 5.4% increase in 2002 from 2001 is primarily due to the fact that the decrease in cost of sales, principally those associated with a reduction of production costs for CODELCO's own copper, was greater than the decrease in total sales during that period.

Selling and administrative expenses. Selling and administrative expenses were U.S.\$167 million in 2003, as compared with U.S.\$160 million in 2002 and U.S.\$138 million in 2001, or 4.4%, 4.6% and 3.9% of total sales, respectively. The increase in 2003 is primarily due to an increase in consulting fees and overhead expenses at CODELCO's headquarters in Santiago. The increase in 2002 is mainly due to an increase in overhead expenses related to CODELCO's headquarters and higher write-offs relating to terminated joint ventures involving mining properties.

Operating income. Operating income in 2003 amounted to U.S.\$833 million, as compared with U.S.\$543 million in 2002 and U.S.\$529 million in 2001. The 2.6% increase in 2002 from 2001 and the 53.4% increase in 2003 from 2002 are both primarily due to the increase in the average price received for CODELCO's product mix.

Non-operating income (expense). Non-operating income (expense) increased U.S.\$61 million to an expense of U.S.\$476 million in 2003 from an expense of U.S.\$415 million in 2002, as compared with an expense of U.S.\$377 million in 2001 (an increase of U.S.\$38 million).

The following table sets forth the principal components of CODELCO's non-operating expense for the periods indicated:

	Year ended December 31,			% Change	
	2001	2002	2003	2001/2002	2002/2003
	(in millions of U.S.\$)				
Law 13.196 export tax.....	\$ (260)	\$ (240)	\$ (249)	(7.7)%	3.8%
Interest expense.....	(100)	(77)	(106)	(22.6)	37.7
Equity participation in gains (losses) of:					
Sociedad Contractual Minera El Abra.....	(27)	(39)	16	44.4	141.0
Inversiones Tocopilla Ltda.	(11)	(6)	19	(45.5)	(416.7)
Electroandina S.A.	(6)	(1)	11	(83.3)	(1,200.0)
Other equity investments, net.....	(5)	(2)	13	(60.0)	(750.0)
Foreign currency translation	28	33	(74)	17.9	(324.2)
Other.....	4	(83)	(106)	(2,175)	27.7
Total non-operating income (expense).....	\$ (377)	\$ (415)	\$ (476)	10.1%	14.7%

CODELCO recorded export taxes of U.S.\$249 million, U.S.\$240 million and U.S.\$260 million in 2003, 2002 and 2001, respectively, pursuant to Law No. 13.196. The U.S.\$9 million increase in export taxes in 2003 compared to 2002 was due to increased copper prices, partially offset by decreased export sales. The U.S.\$20 million decrease in export taxes in 2002 compared to 2001 was due to a decrease in export sales in 2002. Non-operating expense included U.S.\$106 million of interest expense in 2003, as compared to interest expense of U.S.\$77 million in 2002 and U.S.\$100 million in 2001. The U.S.\$29 million increase in interest expense in 2003 from 2002 is primarily due to an increase in CODELCO's financial debt. The U.S.\$23 million decrease in interest expense in 2002 from 2001 is primarily the result of lower average interest rates in 2002, partially offset by an increase in CODELCO's financial debt. CODELCO's net equity participation in related companies increased to U.S.\$59 million in gains in 2003 from U.S.\$48 million in losses in 2002 and U.S.\$49 million in losses in 2001. The gains in 2003 are primarily the result of CODELCO's share in gains reported by companies such as Tocopilla Ltda., El Abra, Electroandina and Inversiones Mejillones. The decrease in losses in 2002 from 2001 is primarily due to a reduction in losses of Tocopilla Ltda. and Electroandina, partially offset by increased losses reported by El Abra. El Abra's increased losses in 2002 primarily resulted from depressed copper prices.

Income before taxes. Income before taxes was U.S.\$358 million in 2003, as compared with U.S.\$129 million in 2002 and U.S.\$152 million in 2001. The 179.7% increase in 2003 compared to 2002 was primarily due to the increase in copper prices. The 15.8% decrease in 2002 compared to 2001 was principally due to a decrease in sales volume.

Taxes. The Company provides for income taxes totaling 56.5%, comprising a corporate income tax of 16.5% and the 40% tax on the earnings of state-owned enterprises specified in Decree Law 2.398, Article 2. Taxes on income were U.S.\$269 million, U.S.\$82 million and U.S.\$127 million for 2003, 2002 and 2001, respectively, reflecting the fluctuation of CODELCO's income in these years. Because CODELCO pays estimated taxes quarterly, and makes the corresponding income tax provisions based on certain assumptions as to copper prices and revenues, the income tax provisions made by CODELCO vary from the taxes owed on its actual taxable income.

Net income. CODELCO's net income in 2003 was U.S.\$89 million, as compared with U.S.\$48 million in 2002 and U.S.\$26 million in 2001. The increases of U.S.\$41 million in 2003 from 2002 and U.S.\$22 million in 2002 from 2001 were primarily due to the concurrent increases in copper prices.

Liquidity and Capital Resources

CODELCO's primary sources of liquidity are funds from operations, domestic and international borrowings from banks, and debt offerings in the domestic and international capital markets. Due to CODELCO's current policy to transfer 100% of its net income to the Chilean Treasury, CODELCO's funding with internally generated cash is limited to deferred taxes, amortization and depreciation. In 2003, funding available to CODELCO from these three sources totaled approximately U.S.\$548 million. When deferred taxes become payable, the use of cash required for the payment of such taxes may reduce the amount of internally generated funding available for investment.

Cash flow. For the six months ended June 30, 2004, net cash flow from operating activities was U.S.\$1.06 billion, an increase of U.S.\$880 million from U.S.\$176 million for the six months ended June 30, 2003. This increase was due principally to a U.S.\$2.35 billion increase in collections from customers, which was due to a 73.9% increase in copper prices and a 39.6% increase in tonnage sold in the first half of 2004 compared with the first half of 2003. The increase in net cash flow is partially offset by a U.S.\$922 million, or 73.6%, increase in CODELCO's payments to suppliers and personnel, a U.S.\$362 million increase in CODELCO's income tax payments and a U.S.\$135 million increase in the export tax under Law 13.196 in the first half of 2004 compared with the first half of 2003.

CODELCO's net cash flow from operating activities was U.S.\$144 million in 2003, a U.S.\$445 million decrease from U.S.\$589 million in 2002. This decrease was due principally to a U.S.\$447 million increase in payments to suppliers and personnel, primarily due to the El Teniente expansion project, and an increase of U.S.\$258 million in income taxes paid in 2003 as compared to 2002. The decrease in net cash flow in 2003 compared to 2002 was partially offset by an increase of U.S.\$255 million in collections from customers.

CODELCO's net cash flow from operating activities decreased U.S.\$116 million, or 16.5%, from U.S.\$705 million in 2001 to U.S.\$589 million in 2002. This decrease was primarily due to two factors: (i) a U.S.\$318 million, or 14.2%, increase in payments to suppliers and personnel in 2002 as compared to 2001, primarily in connection with the El Teniente expansion project and (ii) a U.S.\$78 million increase in income taxes paid in 2002 as compared to the same period in 2001. This decrease was partially offset by a U.S.\$264 million increase in collections from customers.

Bank debt. CODELCO's total financial debt as a percentage of its total capitalization was 42.2% at December 31, 2002, 50.0% at December 31, 2003 and 48.8% at June 30, 2004. CODELCO's total outstanding financial debt at December 31, 2003 was U.S.\$2.8 billion and at June 30, 2004 was U.S.\$2.7 billion. At December 31, 2002, the total outstanding financial debt of CODELCO was approximately U.S.\$2.0 billion. As adjusted to give effect to the offering of these notes, CODELCO's total financial debt as a percentage of its total capitalization would be 50.5%, and its total outstanding financial debt would be U.S.\$2.9 billion.

During 2000, CODELCO entered into a 4.5 year syndicated loan for U.S.\$500 million with a group of international financial institutions. This loan was obtained in order to ensure a competitive interest rate for the refinancing of an existing syndicated loan scheduled to expire in November 2001. The new annual interest rate obtained was 22.5 basis points over LIBOR for the first year and 60 basis points over LIBOR from November 2001 until May 2005. The Company intends to prepay the balance on this loan in its entirety in November 2004 and will apply the proceeds of this offering to that prepayment.

During 2001, CODELCO and a group of international financial institutions entered into a U.S.\$300 million five-year syndicated loan that bears interest at a rate of LIBOR plus a margin of 45 basis points and is repayable in its entirety at the end of the five-year term. The proceeds of this loan were directed towards financing investment and refinancing other credits.

In July 2003, CODELCO entered into a U.S.\$300 million five-year syndicated bank loan with a group of international financial institutions that bears interest at a rate of LIBOR plus a margin of 45 basis points and is repayable in its entirety at the end of the five-year term. The proceeds of this loan were used to refinance a portion of CODELCO's short-term debt and to finance capital expenditures.

In June 2004, CODELCO entered into a U.S.\$300 million five-year unsecured syndicated bank loan with a group of international institutions that bears interest rate of LIBOR plus a margin of 25 basis points and is repayable in its entirety at the end of the five-year term. The credit has been used to finance investments and refinance liabilities.

In September 2004, CODELCO renegotiated the interest rate applicable to two unsecured syndicated bank loans, each with an outstanding principal balance of U.S.\$300 million. The two loans, which CODELCO had entered into in 2001 and 2003, were combined into a single U.S.\$600 million amended and restated loan agreement. Through this transaction, CODELCO was able to reduce the applicable interest rate from an average of LIBOR plus a margin of 45 basis points to an interest rate that ranges from LIBOR plus 17.5 basis points to LIBOR plus 22.5 basis points. The term of the original loans remains unchanged, and the loans mature in two installments of U.S.\$300 million each in December 2006 and July 2008.

Other Debt. In May 1999, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$300 million. The notes will mature on May 1, 2009 and accrue interest at a rate of 7.375% per annum payable on a semi-annual basis.

In November 2002, CODELCO issued and placed in the Chilean market notes with an aggregate principal amount of UF 7 million, which accrue interest at an annual rate of 4.0%. In connection with that offering, CODELCO entered into a cross currency swap (UF/dollars) for a notional amount equivalent to the principal amount of the issuance in order to eliminate its exposure to changes in the UF/dollar exchange rate. Additionally, investors in these notes hold a put option that enables them to require CODELCO to repurchase the notes from them in the event there is a change of control in the ownership of CODELCO.

In December 2002, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$435 million. The notes will mature on November 30, 2012 and accrue interest at a rate of 6.375% per annum payable on a semi-annual basis.

In October 2003, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$500 million. The notes will mature on October 15, 2013 and accrue interest at a rate of 5.500% per annum payable on a semi-annual basis.

CODELCO also has short-term uncommitted lines of credit available for approximately U.S.\$700 million, of which approximately U.S.\$180 million was utilized as of June 30, 2004 and bears interest at an average rate of LIBOR plus a margin of 25 basis points.

The following table sets forth the scheduled maturities of CODELCO's contractual obligations as of June 30, 2004, adjusted to give effect to the offering of the notes and the changes in maturity profile and average interest rate resulting from the amendment of the terms of the U.S.\$600 million bank loan entered into by CODELCO in September 2004:

	Contractual Financial Obligations Outstanding						Average Annual Interest Rate
	Total	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years	
Contractual Financial Obligations							
Long-term debt.....	\$ 900	\$ --	\$ --	\$ 300	\$ 300	\$ 300	LIBOR + 0.213%
Notes payable.....	1,900	--	--	--	300	1,600	5.67%
Lines of credit	95	95	--	--	--	--	LIBOR + 0.20%
Total	\$2,895	\$ 95	\$ 0	\$ 300	\$ 600	\$1,900	

In addition to the obligations set forth in the table above, CODELCO was party to certain guarantees and severance payment obligations amounting to U.S.\$100 million and U.S.\$483 million, respectively, as of December 31, 2003. See Notes 24 and 15 of Notes to the Year-end Consolidated Financial Statements. As of June 30, 2004, CODELCO is party to certain guarantees and severance payment obligations which are payable upon retirement of

individual employees, amounting to U.S.\$93 million and U.S.\$507 million, respectively. Additionally, CODELCO has deferred tax obligations of U.S.\$11 million payable during the second half of 2004, U.S.\$1 million payable in 2005, U.S.\$24 million payable in 2006, U.S.\$54 million payable in 2007, U.S.\$81 million payable in 2008 and U.S.\$733 million payable after 2008.

Investment Policy. In order to maintain and improve its competitive position in the industry, from 2004 through 2008, subject to the approval of CODELCO's Board of Directors and the Ministries of Mining and Finance, CODELCO expects to invest approximately U.S.\$5.5 billion in expansion and development projects, including (i) development of new mines, including the Gaby deposit (approximately U.S.\$478 million) in 2004 – 2007, (ii) integrated development of the Mansa Mina and Codelco Norte deposits (approximately U.S.\$615 million) in 2004 – 2007 (iii) construction of a new treatment plant at Mina Sur (approximately U.S.\$262 million) in 2004 – 2005, and (iv) phase one and two of expansion of production capacity at El Teniente (approximately U.S.\$448 million) in 2004 – 2008. In 2001, CODELCO invested more than U.S.\$586 million in expansion and development projects, primarily in the optimization of the Radomiro Tomic facility, the expansion of Andina and the development plan for El Teniente. In 2003, CODELCO invested more than U.S.\$895 million in such projects, including upgrades in the technology employed at Chuquicamata's refinery, on the relocation of one of Chuquicamata's milling facilities and in the Calama integration project. In 2004, CODELCO expects to spend approximately U.S.\$1.1 billion on the projects mentioned above. In the first half of 2004, CODELCO invested U.S.\$434 million in these projects, primarily in the construction of the new treatment plant at Mina Sur, the Calama integration project and the expansion of production capacity at El Teniente.

For additional description of CODELCO's principal planned capital expenditures, see "Business and Properties—Copper Production—Operations".

CODELCO expects that it will have sufficient resources from operations, new borrowing from banks and capital markets to fund its anticipated capital expenditures and investment. CODELCO has also announced that it is considering the possibility of selling all or part of its interest in Electroandina and Edelnor. Although there is no assurance that such transactions will occur, if they were to occur, CODELCO's need for access to the bank and capital markets for funding would likely be reduced. Cash flow from operations may, however, be affected by a variety of factors including copper price levels. In the event that CODELCO is unable to sell assets or obtain external financing with respect to such capital investments, it may be required to curtail such expenditures.

Environmental. An important part of CODELCO's investment policy is its pollution abatement plan, which includes several environmental projects undertaken to comply with Chilean law and to achieve its own environmental performance goals. See "Regulatory Framework—Environmental Regulations". From 2000 to 2003, CODELCO invested a total of approximately U.S.\$233 million in these projects (U.S.\$39 million in 2003), including (i) construction of the second acid plant to treat high-sulfur emissions at the Caletones smelter of El Teniente and (ii) implementation of gas capture and treatment processes at Chuquicamata and El Teniente. From 2004 to 2008, CODELCO plans to continue implementing its pollution abatement plan through additional capital investments in these programs of approximately U.S.\$71 million. In 2004, CODELCO expects to invest approximately U.S.\$30 million in such projects, including the continued development of the Carén Tailings Dam and improvements to the water recovery system.

The following table sets forth CODELCO's principal environmental investments in the years 2000-2003:

Environmental Investments
(in millions of U.S.\$)

Project	Mine	2000	2001	2002	2003
Improve Concentrate Smelter.....	Chuquicamata	\$ —	\$ 21.7	\$ 63.8	\$ 28.1
Capture and Treatment of Fugitive Gases.....	Chuquicamata	7.0	—	—	—
Solid waste management.....	Salvador	—	—	1.1	—
Long-Term Tailings Dam—Ovejería.....	Andina	4.2	—	1.6	—
Final Transportation Sulfuric Acid.....	El Teniente	9.9	10.2	3.3	—
Gas Treatment Plant (secondary).....	El Teniente	28.5	5.9	1.3	0.2
PRIM CPS Gas Capture Management.....	El Teniente	—	2.6	17.8	4.5
Stage 3 Tailings Dam—Carén.....	El Teniente	—	1.6	—	—
Stage 4 Tailings Dam—Carén.....	El Teniente	—	—	—	0.9
Other Projects.....		3.3	5.3	4.2	5.3
Total		\$ 52.9	\$ 47.3	\$ 93.1	\$ 39.0

Distributions to the Chilean Treasury. As a state-owned enterprise, it is CODELCO's policy to transfer 100% of its net income to the Chilean Treasury. CODELCO's Board of Directors may propose to the Ministries of Mining and Finance that a portion of its net income be kept by CODELCO as retained earnings. These Ministries may implement such a proposal by joint decree. However, there have been no such proposals in the last three years. In 2001, 2002 and 2003, CODELCO distributed U.S.\$362 million, U.S.\$304 million and U.S.\$642 million, respectively, to the Chilean Treasury. While CODELCO makes advance payments to the Chilean Treasury, funded by cash flows from operations, throughout the year, it generally has distributions payable to the Chilean Treasury at the end of each year. These distributions are paid in the first quarter of the following year but are reflected in the prior year's financial statements.

The following table sets forth amounts paid in taxes (which due to the timing of payments may be different from tax amounts accrued) and payments and net income distributions made by CODELCO to the Chilean National Treasury for each of the three years ended December 31, 2003 and in the first six months of 2004:

Contributions to Chilean Treasury
(in millions of U.S.\$)

	Year Ended December 31,			As of June 30, 2004	
	2001				
	2002				
Income tax payments.....	\$ 3	\$ 81	\$ 339	\$ 460	
Export tax under Law 13.196.....	257	223	253	259	
Subtotal	\$ 260	\$ 304	\$ 592	\$ 719	
Net income distributions.....	102	—	50	469	
Total	\$ 362	\$ 304	\$ 642	\$1,188	

Exchange Rates and Interest Rates. CODELCO's main currency exposure is between the Chilean peso and the U.S. dollar due to the fact that a significant portion of CODELCO's operating costs are denominated in pesos indexed to Chilean inflation, and approximately 90% of revenues are denominated in U.S. dollars or other foreign currencies. To minimize the risks associated with currency exposures and fluctuations in interest rates, CODELCO enters into interest rate futures contracts and foreign exchange forward contracts which reduce exposure to fluctuations in the peso/dollar exchange rate.

As of June 30, 2004, CODELCO had swap contracts in place to hedge the risk of future UF/U.S.\$ exchange rate fluctuations with respect to a notional amount of approximately U.S.\$187 million, which is equivalent to, and sufficient to cover, 100% of CODELCO's outstanding UF-denominated debt.

As of June 30, 2004, the Company had swap contracts in place to hedge the risk of future interest rate fluctuations with respect to a notional amount of approximately U.S.\$300 million, which is equivalent to, and sufficient

to cover, 23% of its total outstanding floating-rate debt. As of June 30, 2004, approximately 52% of CODELCO's financial debt was at a fixed interest rate and 48% had a variable rate. After giving effect to CODELCO's interest rate hedging positions, a total notional amount of 37% of its debt was subject to fluctuation in interest rates.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles in Chile requires CODELCO to make a wide variety of estimates and assumptions that affect (1) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (2) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements. CODELCO routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increases, these judgments become even more subjective and complex. CODELCO has identified the following accounting policies that are most important to the portrayal of its current financial condition and results of operations. For a full description of CODELCO's accounting policies, see Note 2 of Notes to the Consolidated Financial Statements, which are included elsewhere in this offering memorandum.

Proven and Probable Reserves. On a periodic basis, CODELCO reviews its reserve estimates that reflect CODELCO's estimate of the quantities and grades of ore at CODELCO's mineral properties which CODELCO believes can be recovered and sold at prices in excess of the total cost associated with extraction and processing of the ore. CODELCO's calculations of proven and probable reserves are based on standard evaluation methods generally used in the international mining industry in compliance with relevant Chilean regulation and on assumptions as to production costs and market price.

Costs incurred during the development phase of projects up to the production phase are recorded as assets when it is considered feasible that these costs will produce future revenues. These costs include costs associated with extraction of waste material, building mine infrastructure, and other work carried out prior to the production phase. The amortization of these costs is based on the proportion of the amount of mineral extracted from the mines as compared to the total estimated reserves of the mines. The accounting estimates related to depreciation and amortization are critical accounting estimates because (1) the determination of copper reserves involves uncertainties with respect to the ultimate geological content, quantity and quality of CODELCO's reserves and the assumptions used in determining the economic feasibility of mining those reserves, including estimated copper prices and costs of conducting future mining activities and (2) changes in estimated and proven and probable recoverable copper reserves and useful asset lives can have a material impact on net income, as they will have a significant impact on the amortization expense per unit of production. CODELCO performs periodic assessments of its existing assets, including a review of asset costs and depreciable lives, in connection with the review of mines' operating and development plans. When CODELCO determines that assigned asset lives do not reflect the expected remaining period of benefit, CODELCO makes prospective changes to its depreciable lives.

Costs relating to exploration and drilling, which are incurred in the identification of mineral deposits and determination of their possible commercial viability, are charged to income as incurred.

Reserve estimates may also require revision based on actual production experience once production commences. Declines in the market price of metals, as well as increased production or capital costs or reduced recovery rates, may render ore reserves uneconomic to exploit. Should that occur, changes in reserve estimates will have a significant impact on the amortization expense per unit of production, and some asset write-downs in the applicable accounting periods may be required. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. No assurance can be given that CODELCO's estimates of amounts of copper or levels of recovery of copper will be realized.

Revenue Recognition. Because revenue is a key component of CODELCO's results of operations, and CODELCO derives revenue primarily from the sale of its own copper, CODELCO's revenue recognition practices for these sales are significant. The substantial majority of copper produced by CODELCO is sold under annual contracts; pricing under such contracts is based on prevailing monthly average copper prices quoted on the LME for a quotational period, generally the month following the scheduled month of shipment. Revenues under such

contracts are recorded at provisional prices determined at the time of shipment. Usually an adjustment is then made after delivery of the copper, based on the pricing terms contained in the applicable contract.

Settlements for copper sales can occur up to one month after the end of the month in which the copper was shipped. At the end of each month CODELCO estimates and accrues for any reduction in the provisional sales price using information available at the time financial statements are generated; however, the amount estimated may differ from the amount received at settlement. Differences are reflected in the accounting period in which payments are received from the purchaser.

Environmental Matters. Chile has adopted environmental, health and safety regulations requiring various industrial companies operating in Chile, including CODELCO, to undertake programs to reduce, control or eliminate various types of pollution and to protect natural resources, including water. CODELCO must also comply with certain special environmental regulations for the Chuquicamata, Potrerillos and Caletones smelting plants that affect areas that have been declared *zonas saturadas* ("non-attainment areas") due to the already high level of air pollution in those areas. These special environmental regulations require CODELCO to reduce atmospheric emissions associated with smelting plants and extracting operations. CODELCO's operations outside of Chile are also subject to extensive international, national and local environmental, health and safety laws and regulations. Environmental, health and safety laws and regulations are complex, change frequently and have tended to become increasingly stringent over time. Additional laws and regulations are pending and may be adopted in Chile regarding water quality standards and soil contamination. Each of these laws could result in additional environmental compliance costs. Additionally, new regulations were enacted in February 2004 governing safety standards for mining operations. Pursuant to these regulations all mining companies, including CODELCO, should provide closure plans for their mining facilities demonstrating compliance with safety standards; such plans should be updated every five years and should consider the requirements set forth in the environmental authorization issued for the respective facility, if any. These regulations may be supplemented in the future with new environmental regulations which may impose additional requirements on CODELCO in connection with closure plans. For such purposes, CODELCO currently provides for the costs of disposing of tailings, which are part of the total costs associated with closing its mines. CODELCO's estimate of the eventual costs associated with these mine closures is based on the current value of the obligation.

The accounting estimates related to reclamation and closure costs are critical accounting estimates because (1) CODELCO will not incur most of these costs for a number of years, requiring it to make estimates over a long period, (2) future closure, reclamation and environment-related expenditures are difficult to estimate in many circumstances because investigation into these matters remains in its early stages and because there are uncertainties associated with defining the nature and extent of environmental contamination and uncertainties relating to specific reclamation and remediation methods and costs, (3) reclamation and closure laws and regulations could change in the future causing CODELCO to record further liabilities and (4) circumstances affecting CODELCO's operations could change, which could result in significant changes to its current plans, thus affecting its estimated liabilities as new information becomes known. Such a change in estimated liabilities could have a material effect on CODELCO's future operating results.

Derivatives. CODELCO has from time to time entered into various types of derivative contracts to manage market risk resulting from the volatility of copper prices. CODELCO has entered into commodity contracts, including futures and min-max option contracts, which require payments to (or receipts from) counterparties based on the differential between (i) a fixed price (in the case of futures) or a price range with a floor and ceiling (in the case of min-max options) and (ii) the commodity price for a fixed quantity of copper. The notional amounts of these financial instruments hedge cash flows associated with sales. In accordance with the provisions of Technical Bulletin Number 57 of the Chilean Association of Accountants, the results of these hedging transactions are recorded at the date of settlement of the operations, as part of the revenues from the sales of the products.

CODELCO has also entered into cross currency swaps contracts to hedge the risk of fluctuations in the UF to U.S. Dollar exchange rate for its outstanding UF-denominated bonds. Also, CODELCO has entered into interest rate swaps to hedge contracts at variable interest rates for future obligations denominated in U. S. Dollars. The results of the cross currency swap contracts are recorded as of the date of maturity or settlement of the respective contracts, in accordance with the provisions of Technical Bulletin Number 57 of the Chilean Association of

Accountants. The results of the interest rate swaps are amortized over the term of the liabilities that have been hedged.

Severance Obligations. The liability associated with employee severance indemnities contained in current agreements and contracts is recorded on an undiscounted basis under the shut-down method. In accordance with Technical Bulletin Number 8 of the Chilean Association of Accountants, CODELCO could have chosen to record this liability at its present value, which is considered the preferred method by that Technical Bulletin. The recording of the liability at present value would result in an increase in the CODELCO's equity and would impact the future operating results of CODELCO.

Early retirement benefits. CODELCO, following its cost-reduction programs through the use of modern technologies, has established early retirement and workforce reduction programs. The liability for these benefits is recorded when the employees agree to retire under these plans. Material changes in these early retirement benefits costs may occur in the future due to changes in the mix of plan participants and changes in the level of benefits provided.

Health care post retirement benefits. CODELCO has granted health care retirement benefits to some active and retired employees and members of their families, consisting of additional annual contributions to health care insurance companies, so that those employees can achieve a minimum health plan coverage after retirement. CODELCO has recorded a liability for these post retirement health care benefits making assumptions about the additional costs of the health plans and the expected life of the eligible employees and their beneficiaries, and using a discount rate to determine the present value of this obligation. Because of the several assumptions made to recognize this liability, this is considered a critical accounting estimate.

BUSINESS AND PROPERTIES

CODELCO is the world's largest copper producer and one of the largest companies in Chile in terms of sales (U.S.\$3.8 billion in 2003). As of December 31, 2003, CODELCO's total assets and equity amounted to U.S.\$8.1 billion and U.S.\$2.8 billion, respectively, without including the value of CODELCO's mining concessions and ore deposits (as of June 30, 2004, such amounts were U.S.\$8.2 billion and U.S.\$2.9 billion, respectively). CODELCO engages primarily in the exploration, development and extraction of ores bearing copper and by-products, the processing of ore into refined copper and the international sale of refined copper and by-products. CODELCO is 100% owned by the Chilean State and controls approximately 20% of the world's copper reserve base, as such term is defined by the U.S. Geological Survey. In 2003, CODELCO had an estimated 15% share of western world copper production, with production of approximately 1.67 million metric tons (including CODELCO's share of the El Abra deposit, which is mined by a joint venture owned 49% by CODELCO and 51% by Phelps Dodge Corporation) and an estimated 16% share of the world's molybdenum production with production of 23,173 metric tons.

CODELCO's main commercial product is Grade A cathode copper. In 2003, CODELCO derived 83.8% of its total sales from copper and 16.2% of its total sales from by-products of its copper production.

The following table sets forth certain production, cost and price information relating to CODELCO:

Copper Production, Cash Cost of Production and Price Information
(production in thousands of metric tons and cash costs
and prices in cents per pound)

	Year ended December 31,					Six months ended June 30,	
	1999	2000	2001	2002	2003	2003	2004
CODELCO's Copper Production	1,507	1,516	1,592	1,520	1,563	741.1	767.8
CODELCO's Cash Cost of Production.....	39.8	43.7	40.7	40.9	42.7	41.5	36.6
Average LME Price (1).....	71.3	82.3	71.6	70.6	80.7	75.0	125.3

(1) Price for Grade A cathode copper.

CODELCO's mission is to fully develop its mining and related business areas in a responsible and flexible manner, in order to maximize its long-term economic value and its contributions to the Chilean budget. CODELCO has set a goal of substantially increasing the company's value during the 2001-2006 period, although this target may be lowered if current forecasts for long-term copper prices during the six-year period change. Moreover, it has committed itself to paying all net income to the National Treasury. To achieve these goals, CODELCO has defined six strategic points on which it intends to focus its efforts: (i) fully developing its business potential, both in Chile and abroad, (ii) developing the potential of workers and supervisors, enhancing participatory management and deepening the relationship between labor and management, which is commonly referred to as the Strategic Alliance, (iii) ensuring the quality of, and continuing to improve the efficiency of, its operations, (iv) incorporating technology as an essential requirement for competitiveness, (v) creating new markets and promoting the use and consumption of copper and (vi) reinforcing its commitment to the environment and strengthening its ties with the community.

To meet these objectives, CODELCO seeks to capitalize on its core strengths. Key elements of CODELCO's strategy include:

Cost Reduction Programs. CODELCO continues to develop and refine management practices and programs to control the cost of copper production and to build on the substantial cost savings achieved in past years. CODELCO believes that its cost reduction program has allowed it to face the challenges posed by low levels in copper prices in the past. Examples of measures taken include: (i) improved deposit identification and mining techniques, (ii) the development of the Strategic Alliance that has resulted in improved labor productivity, (iii) implementation of early retirement and workforce reduction programs, (iv) a decrease in the amount spent on the outsourcing of maintenance and operational support services and (v) a reduction in expenses for materials used in the processes of copper production due to improved

relationships with suppliers. CODELCO believes that it will be able to maintain its cash cost of production per pound with these programs and practices.

Investment Plans. In order to maintain and improve its competitive position in the industry, during 2003 CODELCO invested more than U.S.\$895 million in expansion and development projects, including upgrades in the technology employed at Chuquicamata's refinery, on the relocation of one of Chuquicamata's milling facilities and in the Calama integration project. From 2004 through 2008, subject to the approval of CODELCO's Board of Directors and the Ministries of Mining and Finance, CODELCO expects to invest approximately U.S.\$5.5 billion to develop new mines and to maintain, upgrade and expand production capacity of existing facilities (of which it expects to invest approximately U.S.\$1.1 billion in 2004).

As part of this investment program, from 2004 to 2008 CODELCO plans to continue making capital investments in environmental projects, including investment of approximately U.S.\$71 million in the implementation and improvement of gas capture and treatment processes and other projects. CODELCO invested a total of approximately U.S.\$39 million in such projects in 2003, and expects to invest approximately U.S.\$30 million in such projects in 2004.

Association with the Private Sector. An important element of CODELCO's strategy has been its willingness to enter into joint ventures with third parties. In Chile, CODELCO has developed several projects with private sector enterprises, including the U.S.\$1.0 billion El Abra project, a joint venture with Phelps Dodge Corporation (in which CODELCO holds a 49% interest and Phelps Dodge Corporation a 51% interest) to develop the El Abra mine in northern Chile, one of the world's largest facilities of its kind, using the efficient SX-EW process described below. CODELCO has entered into a joint venture with Nordeutsche Affinerie Group to produce cast wire rod, and has also entered into separate joint ventures with BHP Billiton and Nippon Mining and Metals Company to apply biotechnology to the mining process. CODELCO is also considering the possibility of entering into strategic partnerships in mining projects in other Latin American countries. See "—Other Business Lines and Joint Ventures" and "—Resource Development".

Copper Production

General

The copper deposits in CODELCO's mines exist in two principal forms—sulfide ore and oxide ore. The majority of CODELCO's mines, including Chuquicamata and El Teniente, yield primarily sulfide ore. The ore extracted from the Radomiro Tomic deposit is copper oxide. CODELCO produces refined copper from oxide and sulfide ore using different processes. CODELCO believes that having these two different forms of copper deposits gives it a high level of flexibility to respond to market changes by adjusting its production and utilizing the two different refining processes mentioned below.

Sulfide Ores. Sulfide ores are found in CODELCO's open-pit and underground mines. In open-pit mines, the process of producing copper from sulfide ores begins at the mine pit. Waste rock and ores containing copper are first drilled and blasted and then loaded onto diesel-electric trucks by electric shovels. Waste is hauled to dump areas. In underground mines, copper ore is deposited on rail cars and transported to a crushing circuit where gyratory crushers break the ore into sizes no larger than 3/4 of an inch. In both types of mines the ore is then transported to rod and ball mills which grind it to the consistency of powder. In the conventional concentrator/smelter/refinery process for sulfide ore, this finely ground ore is agitated in a water and chemical solution and pumped as a watery mixture to the flotation separator. The solution is then aerated, producing a froth which carries the copper minerals, but not the waste rock, to the surface. The froth is skimmed off and filtered to produce copper concentrates. The waste rock, called tailings, is sent to a tailings storage facility. The copper concentrates (which contain a copper grade of approximately 30%) are then sent to the smelter.

At the smelter, the concentrates are blended with fluxes and fed into reverberatory furnaces or a Teniente converter (a technologically advanced type of converter designed by CODELCO) where they are melted, producing "matte" and "slag." Matte from reverberatory furnaces contains approximately 45% copper, and matte from a Teniente converter contains approximately 75% copper. Slag is a residue of the smelting process containing iron

and other impurities, which the Company disposes of with its other industrial solid waste. The matte is transferred by ladles to the converters and is oxidized in two steps. First, the iron sulfides in the matte are oxidized with silica, producing slag that is returned to the reverberatory furnaces. Second, the impurities in the matte sulfide are oxidized to produce blister copper. The blister copper contains approximately 98.5% copper. Some of the blister copper is sold to customers. The remainder is transferred to the electrolytic refinery.

After additional treatment in the anode furnace, the copper is cast into anodes and then moved to the refinery's electrolytic tank house. This anode copper is approximately 99.0% copper. In the electrolytic tank house, anodes are suspended in tanks containing an acid solution and copper sulfate. An electrical current is passed through the anodes and chemical solution to deposit clean copper on pure copper plates. The resulting refined copper cathodes are 99.99% copper. Silver and small amounts of other metals contained in the anodes settle on the bottom of the tanks and are recovered in a separate process.

Oxide Ores. Oxide ore is more scarce than sulfide ore, and is typically found closer to the surface of the earth. A different process (called the SX-EW process) is used to produce refined copper from oxide ores, which CODELCO employs at its SX-EW facilities in Chuquicamata, El Teniente, Salvador and Radomiro Tomic. In the first step of the SX-EW process, copper sulfide ore is mined, crushed and deposited into large piles. The piles are leached for a period of several days with a solution of sulfuric acid, resulting in the effusion from the piles of a solution with a high-concentration of copper. The copper solution is collected into large pools, from which copper is then recovered by solvent extraction, followed by a second recovery method called electrowinning, to produce high-grade copper cathodes. The SX-EW process involves lower overall refining costs, and can be used with a lower grade of ore, than the traditional concentrator/smelter/refinery process. The SX-EW process also enables CODELCO to recover copper by re-leaching waste material left over from prior copper extractions.

Operations

CODELCO's copper operations are consolidated into four divisions: (1) The Codelco Norte Division, CODELCO's largest division, was formed in August 2002 by the combination of the former Chuquicamata and Radomiro Tomic Divisions. Chuquicamata has been in operation since 1915 and has smelting and refining capacity. In 2003, Chuquicamata produced 600,629 metric tons of copper, representing almost 38% of CODELCO's total copper output. Radomiro Tomic, which is CODELCO's newest operation, produced 306,539 metric tons of copper cathode in 2003 (using the SX-EW process), with a cash cost of 32.1 cents per pound. (2) The El Teniente Division is the operator of the world's largest underground copper mine and has been in operation for approximately 100 years. The El Teniente Division includes the Caltones smelter, and in 2003 produced 339,440 metric tons of copper. (3) The Andina Division, which has no independent smelting capacity, in 2003 produced 805,165 metric tons of concentrate containing 235,834 metric tons of copper. (4) The Salvador Division includes the smelter/refinery complex at Potrerillos (with a capacity of 671,000 metric tons of concentrate), and in 2003 produced 80,105 metric tons of copper.

The table below shows the production of copper from CODELCO's mines, as compared to private sector production in Chile, for the five-year period ended December 31, 2003:

**Production of Copper from Chilean Mines (CODELCO and Private Sector)
(in thousands of metric tons)**

	1999	2000	2001	2002	2003
Codelco Norte Division (1)					
Chuquicamata.....	630	630	642	597	601
Radomiro Tomic.....	190	191	260	297	306
El Teniente.....	346	356	356	334	339
Andina Division.....	249	258	253	219	236
Salvador Division.....	92	81	81	73	80
El Abra (2)	108	97	107	110	111
CODELCO Total Production	1,615	1,613	1,699	1,630	1,673
Chilean Private Sector (3).....	2,776	2,989	3,040	2,951	3,231
Total Chilean Production.....	4,391	4,602	4,739	4,581	4,904

(1) The Codelco Norte Division was created on August 1, 2002 and contains the former Chuquicamata and Radomiro Tomic Divisions.
 (2) CODELCO's figures presented for El Abra include 49% of the mine's total production (the share of production which corresponds to CODELCO's 49% ownership interest in the mine). The balance of El Abra's production is included in the private sector figures.
 (3) Source: Chilean Copper Commission.

The table below shows the breakdown of CODELCO's own copper output for the five-year period ended December 31, 2003:

**Copper Output of CODELCO (excluding El Abra)
(in thousands of metric tons)**

	1999	2000	2001	2002	2003
Cathodes.....	879	854	963	942	907
Fired Refined.....	163	159	157	133	141
Blister.....	191	207	194	203	206
Concentrates.....	275	296	279	242	308
Total.....	1,508	1,516	1,592	1,520	1,563

The following table sets forth CODELCO's principal investment projects for the period 2004-2008 (projects are subject to change at the discretion of the Company):

Principal Development Projects 2004-2008

Site	Project	Status	Investment (in millions of U.S.\$)
Codelco Norte	Improvement in Refinery, Concentrator and Other	In Execution	110
El Teniente	Expansion of Production Capacity (Phase I).....	In Execution	248
Codelco Norte	New Treatment Plant at Mina Sur.....	In Execution	262
Salvador	Expansion of Production Capacity at San Antonio.....	In Evaluation	122
Codelco Norte	Integrated Plan for Codelco Norte-Mansa Mina.....	In Evaluation	615
Gaby Project	Development of new mine.....	In Evaluation	478
Codelco Norte	Expansion of Smelter and Refinery.....	In Evaluation	353
Andina	Expansion of Production Capacity	In Evaluation	799
El Teniente	Expansion of Production Capacity (Phase II).....	In Evaluation	200
Total of Principal Projects.....			\$3,187

CODELCO's principal development projects listed above, combined with its other investment projects total U.S.\$5.5 billion for the period 2004-2008.

Codelco Norte Division

In order to benefit from the synergies resulting from unified management of its Chuquicamata and Radomiro Tomic Divisions, in August 2002 CODELCO combined the two divisions into a single division, the Codelco Norte Division.

Chuquicamata—Mining Operations. Prior to being combined into the Codelco Norte Division, Chuquicamata was CODELCO's largest division. The Chuquicamata mine, along with the associated smelter and refinery, produced 600,629 metric tons of refined copper in 2003, accounting for approximately 38% of CODELCO's copper production. The Chuquicamata mine is an open-pit operation that produces predominantly sulfide concentrates, which are smelted and refined on site. The pit size of the Chuquicamata mine is almost nine kilometers long in a north-south direction by five kilometers wide and 850 meters deep. The Chuquicamata mine is one of the largest copper producing mines in the world and ranked among the lowest-cost producers. Located in the Atacama Desert, 1,200 kilometers north of Santiago and 240 kilometers east of the Chilean city of Antofagasta, the mine has been in continuous operation since 1915. As of December 2003, Chuquicamata employed 7,467 persons.

The Chuquicamata deposit is a porphyry-type ore body. The most important feature of the ore body is a north-south regional fault, the West Fissure fault, which cuts the ore on the west side and creates a sharp limit on the deposit. An oxide ore zone was a large part of the deposit and has been almost totally mined out. The mine contains a supergene enrichment layer (a redeposit of copper, by natural forces, from higher to lower layers), which has a thickness of almost 800 meters near the center of the mine. Five kilometers north of Chuquicamata, the ore body narrows and merges with the Radomiro Tomic ore body.

One of CODELCO's ongoing projects related to the Chuquicamata mine is the Calama Integration Project, a major initiative to relocate the inhabitants of the town of Chuquicamata, which is situated on the outskirts of the mining facility, to the nearby city of Calama. Most of the space currently available near the mine site for depositing the large piles of the mine's tailings has now been used, requiring greater fuel expenses (for the transportation of the tailings by dump truck to locations further away from the mine) and other related costs. The Calama Integration Project includes CODELCO's participation in the construction and financing of houses and apartments for mine employees and commercial centers in Calama. The area of the town of Chuquicamata will then be used as a new site for the deposit of waste rock and for SX-EW treatment dams. CODELCO expects to invest approximately U.S.\$294 million in the implementation of this project, of which U.S.\$163 million has been invested as of June 30, 2004.

Copper Production and Cash Cost—Chuquicamata
(production in thousands of metric tons and cash cost in cents per pound)

	1999	2000	2001	2002	2003
Copper Production.....	630	630	642	597	601
Cash Cost	37.4	43.5	40.4	39.6	42.4

Chuquicamata—Smelting Operations. Chuquicamata utilizes one Outokumpu flash furnace, five Pierce Smith converters and two Teniente converters to process 1.65 million metric tons of 32.5% copper concentrate per year. Chuquicamata performs all stages of copper production from the mining process through cathode production.

Radomiro Tomic. The Radomiro Tomic deposit lies five kilometers north of the main pit at Chuquicamata. Radomiro Tomic began production at the end of 1997 and was CODELCO's newest division prior to being combined into the Codelco Norte Division. Radomiro Tomic is a state of the art facility, and the world's largest producer of copper using the highly efficient SX-EW process. In 2003 the division employed 649 persons (as of December) and produced 306,539 metric tons of copper at a cash cost of 31.9 cents per pound.

Copper Production and Cash Cost—Radomiro Tomic
(production in thousands of metric tons and cash cost in cents per pound)

	1999	2000	2001	2002	2003
Copper Production.....	190	191	260	297	306
Cash Cost	33.1	33.8	31.6	32.8	31.9

El Teniente Division

Mining Operations. The El Teniente Division is the second largest division of CODELCO and operates the El Teniente underground mine located 80 kilometers southeast of Santiago. With production of 339,440 metric tons in 2003, it is the world's largest underground copper mine.

The El Teniente deposit is also a porphyry-type ore body. The deposit covers a vertical span of over 1,500 meters. A tabular subvertical dacite porphyry intrusion two kilometers long by 200 meters wide is well exposed in the northern part of the deposit, and a quartz-diorite stock is located at the southeast side. Wall rocks are mostly andesites, which are strongly mineralized, containing a high concentration of chalcopyrite and bornite. The size of the deposit is at least three kilometers north-south and close to one kilometer wide.

El Teniente primarily produces concentrates that are smelted at the Caletones smelter. In addition to the principal mine at El Teniente, the division performs mining operations at several other areas of the main deposit, which are expected to gradually increase production to approximately 130,000 tons of ore per day by the end of 2004, from approximately 100,000 tons per day in 2002. The Esmeralda area of the mine, which was opened in late 1998, is the main producing mine area, producing 45,000 tons of ore per day. As of December 2003, El Teniente employed 4,813 persons.

Copper Production and Cash Cost—El Teniente Division
(production in thousands of metric tons and cash cost in cents per pound)

	1999	2000	2001	2002	2003
Copper Production.....	346	356	356	332	339
Cash Cost	40.8	43.6	40.4	40.3	45.4

Smelting Operations. The El Teniente Division includes the Caletones smelter, with capacity to smelt 1.25 million metric tons of concentrate per year. The El Teniente mine supplies 1.1 million metric tons of concentrate per year to the Caletones smelter. The balance of concentrate processed by the smelter is brought from the Andina Division, 300 kilometers away.

The Caletones smelter operates two Teniente Modified Converters, three Pierce Smith Converters and several refining furnaces and gas treatment plants. El Teniente has no electrolytic refining plant, and smelter output is sold as fire-refined copper or anodes to be refined at other facilities such as the Ventanas refinery owned by Enami (a Chilean company that provides services to other copper companies) or Chuquicamata.

Andina Division

Mining Operations. The Andina Division operates the Andina mine and the Sur-Sur mine, which are located 50 kilometers northeast of Santiago. Production at the Andina Division is split among open-pit and underground mines. Andina does not operate a smelter. Its production is processed at the Caletones smelter of El Teniente, at the Ventanas refinery of Enami or at the Salvador Division, and some of its concentrate is sold to Enami or other purchasers. In 2003 Andina employed 1,159 persons (as of December) and produced 805,165 metric tons of concentrate.

The Rio Blanco-Los Bronces porphyry-type deposit, one of the largest copper ore bodies in Chile, is partially owned by the Andina Division. The northwest portion of this deposit is owned by Andina; the southeast portion is owned by Compañía Minera Disputada de Las Condes, a subsidiary of Anglo American Corporation. The deposit is characterized by plentiful tourmaline and breccia rock bodies mineralized with copper sulfides, mostly chalcopyrite. The deposit is four kilometers in length, in the northwest to southeast direction, with a maximum width of almost one kilometer.

Copper Production and Cash Cost—Andina Division
(production in thousands of metric tons and cash cost in cents per pound)

	1999	2000	2001	2002	2003
Copper Production.....	249	258	253	219	236
Cash Cost	47.9	50.5	48.0	49.7	47.0

CODELCO aims to increase the processing output of the Andina division. During 2004, the Company will determine how to expand this division to increase output in the future.

Salvador Division

Mining Operations. Salvador is the smallest of the CODELCO divisions. In 2003, it produced 80,105 metric tons of fine copper. The complex includes the mine and concentrator at Salvador and a smelter/refinery at Potrerillos. The Salvador mine is located 900 kilometers north of Santiago and 120 kilometers east of the Chilean port of Chañaral. Concentrates are transported 67 kilometers from the mine to the smelter at Potrerillos via pipeline and truck.

The Salvador Division has the smallest base reserve of ore among all of the CODELCO divisions, yet its demonstrated reserve life is expected to be in excess of 12 years. Salvador also has some promising development projects that CODELCO believes will increase both reserves and production. The Salvador deposit is a typical medium-sized porphyry-type ore body. There is an 80- to 200-meter thick leached capping covering a lensoid-shaped enrichment layer roughly one kilometer in diameter that attains a maximum thickness of about 250 meters. This enrichment layer is almost completely mined out. Mining is currently focused on the primary ore located underneath the secondary enrichment (the so-called Inca levels). As of December 2003, Salvador employed 1,807 persons.

Copper Production and Cash Cost—Salvador Division
(production in thousands of metric tons and cash cost in cents per pound)

	1999	2000	2001	2002	2003
Copper Production.....	92	81	81	73	80
Cash Cost	54.8	62.1	59.6	69.4	62.7

Smelting Operations. The smelting and refining operation is located at Potrerillos. This facility includes one Teniente converter and four Pierce Smith converters for a rated annual capacity of 671,000 metric tons of concentrate.

Joint Ventures

CODELCO has undertaken several projects and business ventures with certain private sector mining and non-mining enterprises, including:

(1) ***El Abra:*** In 1994, CODELCO formed a 49%/51% joint venture with Cyprus Amax Minerals Company (currently a subsidiary of the Phelps Dodge Corporation) to develop the El Abra mine in northern Chile. The mine is an open-pit facility located 105 kilometers north of the city of Calama at an altitude of 3,900 meters above sea level. El Abra started production seven months ahead of schedule in August 1996. Constructed at a cost of U.S.\$1.05 billion, it is designed to produce 225,000 metric tons of copper cathodes per year and includes one of the world's largest SX-EW facilities. The mine contains approximately 770 million metric tons of leachable oxide copper, with an average ore grade of 0.55% and a mine life of 17 years based on identified reserves. In 2003, El Abra produced 226,648 metric tons of fine copper with a cash cost of 46.5 cents per pound.

The El Abra project was originally financed by a U.S.\$850 million syndicated loan, which is non-recourse to CODELCO although CODELCO has pledged all of its ownership interest in El Abra to secure the loan. The loan was refinanced in November 1997, resulting in lower interest expense. CODELCO estimates that, assuming copper prices remain high, this loan will be paid in full to senior lenders by December 31, 2004.

CODELCO's equity participation in net income of El Abra totaled U.S.\$15.8 million in 2003 as compared to net losses of U.S.\$39 million in 2002, which resulted from the increase in copper prices. As of June 30, 2004, CODELCO has an investment recorded in its balance sheet relating to El Abra in the net amount of U.S.\$147.6 million.

Loans outstanding from CODELCO to El Abra amounted to U.S.\$36.6 million as of June 30, 2004. These loans resulted from the prior commitment of both Cyprus Amax and CODELCO to support the development of the mine by providing financing in case of low copper prices in 2001. Such financing, in the amount of U.S.\$70 million, was provided in November 2001 in the form of subordinated indebtedness purchased by CODELCO (49%) and Cyprus Amax (51%). CODELCO had accounts payable due to El Abra in the amount of U.S.\$22.1 million as of June 30, 2004. There are no other commitments from CODELCO to assist or provide financial support to El Abra. Assuming copper prices remain high, it is anticipated that El Abra will pay all subordinated loans from its shareholders in full in 2005.

(2) *Exploration Partnerships:* In recent years, as various companies have formally expressed their interest in undertaking joint exploration efforts with CODELCO, the Company has increasingly become involved in combined exploration efforts with strategic partners. Contracts were signed in 2001 to explore both the Gradaus area in Brazil with Barrick Do Brasil Ltda., a Brazilian company, and the Sonora area in Mexico, and in 2003 to explore other areas in Mexico, through Minera Pecobre, S.A. de C.V., a partnership with Minera Peñoles, S.A., a Mexican company. CODELCO is currently developing joint exploration agreements with Canadian companies Mantos de Oro and Placer Dome, with American company Phelps Dodge and with MIM Chile, a subsidiary of the Australian company MIM Holding Ltd.

(3) *Deutsche Giessradht GmbH:* CODELCO is a partner in a 40%/60% joint venture with Nordeutsche Affinerie Group in Deutsche Giessradht GmbH, a German corporation located in Emmerich, Germany. The company, which has been in existence since 1975, produces continuous cast wire rod. CODELCO indirectly supplies copper to Deutsche Giessradht GmbH.

(4) *Alliance Copper Limited:* In August 2000, CODELCO formed a 50%/50% joint venture with BHP Billiton in Alliance Copper Limited, a company located in Jersey that is developing a process of bio-leaching of concentrates containing high concentrations of arsenic. A commercial prototype plant began operating in October 2003 in the north of Chile, processing concentrates from the Codelco Norte Division, and it aims to produce 20,000 tons of cathodes per year. CODELCO invested approximately U.S.\$38.6 million in this project.

(5) *BioSigma S.A.:* CODELCO is a partner in a 66.67%/33.33% joint venture with Nippon Mining and Metals Company in BioSigma S.A., a company working to develop biotechnology expertise that may be applied to bio-mining processes. As of June 30, 2004 CODELCO's investment in BioSigma was approximately U.S.\$1.4 million.

(6) *Electroandina and Inversiones Tocopilla; Edelnor:* In January 1996 the former Tocopilla Division of CODELCO, which operated a thermoelectric plant that provided electricity to several mining operations in northern Chile, was split into two companies: Electroandina and Inversiones Tocopilla Ltda. ("Tocopilla"). Tocopilla, a holding company, controls 65.2% of the shares of Electroandina, with CODELCO owning the remaining 34.8%. CODELCO sold 51% of Tocopilla to Tractebel and retained a 49% ownership interest. Electroandina generates and transmits electricity in the north of Chile. CODELCO purchases some of its electricity for the Codelco Norte Division from Electroandina pursuant to long-term electricity supply contracts.

Due to the introduction of natural gas and significant overcapacity in the electricity distribution grid in northern Chile, Electroandina has suffered from low prices. Electroandina has begun a process of increasing generation capacity and, through consolidation with other suppliers in the region, is actively pursuing opportunities to become the main supplier of electric power in northern Chile. As of June 30, 2004, CODELCO was owed U.S.\$45.4 million by Electroandina and had accounts payable due to Electroandina in the amount of U.S.\$18.1 million.

On November 5, 2002, CODELCO and Tractebel jointly acquired approximately 82% of Edelnor, which owns approximately 687 megawatts of installed electric power-generation capacity in northern Chile. The transaction involved a total investment by CODELCO of approximately U.S.\$42.8 million. Following that investment, Edelnor entered into and has since emerged from a Chapter 11 reorganization proceeding in the United States that included a restructuring of its debt. As of June 30, 2004, CODELCO had invested, directly and indirectly through its subsidiaries, a total of approximately U.S.\$190 million in Edelnor. CODELCO has announced its intention of disposing of its investments in the electricity sector as opportunities arise.

Under the terms of a financing agreement between Edelnor and Inversiones Mejillones S.A., Inversiones Mejillones, of whose equity CODELCO indirectly and directly owns approximately 67%, may be required to provide approximately U.S.\$15 million in financing to Edelnor.

For the year ended December 31, 2003, Electroandina recorded a net income of U.S.\$30.6 million, and for the six months ended June 30, 2004, a net loss of U.S.\$6.9 million, principally due to the gas crisis in Argentina during 2004. CODELCO has an investment recorded on its balance sheet related to Electroandina in the net amount of U.S.\$96.4 million as of June 30, 2004.

For the year ended December 31, 2003 Edelnor recorded net income of approximately U.S.\$39.6 million and for the six months ended June 30, 2004, a net loss of U.S.\$3.6 million.

(7) *Fundición Talleres S.A.:* CODELCO's Talleres Division was spun-off into a wholly-owned subsidiary of CODELCO, Fundición Talleres S.A. In January 2004, CODELCO sold 60% of Fundición Talleres S.A. through an auction process to Compañía Electro Metalúrgica S.A. ("Elecmetal"). Fundición Talleres S.A. manufactures and sells cast steel spare parts for mining equipment and also carries out manufacturing and commercial activities in the field of metallurgy and metalmechanics. Fundición Talleres S.A. participates in major projects in Chile and abroad. As of June 30, 2004, CODELCO's 40% ownership interest in Fundición Talleres S.A. represented an investment of U.S.\$6.9 million.

The following table sets forth the major mining and exploration agreements to which CODELCO is a party, as of June 30, 2004:

Major Mining and Exploration Agreements
(As of June 30, 2004)

Mining Agreement Projects El Abra	Partner Phelps Dodge (USA)	Type Copper
Exploration Agreement Projects		
Chile		
Sierra Mariposa	Placer Dome (Canada)	Copper
Purén	Mantos de Oro (Canada)	Gold
Vallenar and others	Cementos Bio-Bio (Chile)	Copper
Cachinal	MIM Chile (Chile)	Copper
Profeta	Phelps Dodge (USA)	Copper
Abroad		
Sonora and others	Peñoles (Mexico)	Copper/Gold
Gradaus	Barrick (Brazil)	Copper

Resources and Reserves

As is standard in the industry, CODELCO divides its mineral holdings into two categories, resources and reserves. *Resources* are ore bodies of economic value that have been identified and evaluated through exploration, reconnaissance and sampling. Resources are estimated based on geological knowledge about the deposit, which is based on scientific concepts concerning the formation of minerals such as oxides, sulfides and mixed ores, as well as available knowledge concerning the geological continuity of the mineralized sectors. This is based on technical parameters, such as robustness of the genetic-geological model and its validation through drillings. *Reserves* are the

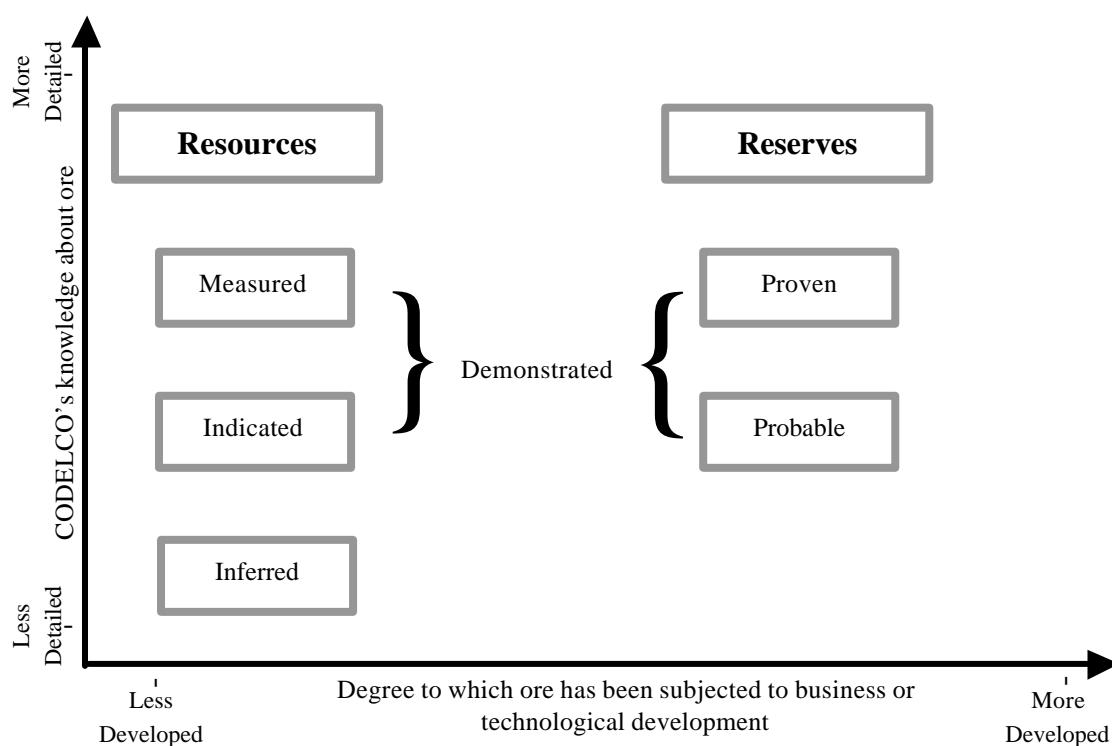
portion of the resource that can be extracted based on an economic, environmental and technological analysis set forth in a mining plan.

Resources and reserves are both subdivided further, based on the degree of knowledge that CODELCO has of their extent and composition. If CODELCO's knowledge of reserves is extensive and direct, they are *proven reserves*; and if CODELCO's knowledge of them is substantial but less extensive, they are *probable reserves*. Both categories of reserves are sometimes referred to as *demonstrated reserves*. As to resources, if CODELCO's knowledge of them is extensive and direct, they are *measured resources*; if CODELCO's knowledge of them is substantial but less extensive, they are *indicated resources*; and if CODELCO's knowledge of them is only indirect, they are *inferred resources*.

Measured resources are based on a dense grid of regularly distributed drillings, indicated resources are based on an intermediate grid of regularly distributed drillings, and inferred resources are based on irregularly, sometimes sporadically distributed drillings, where the continuity of ore grades is mostly supported by concepts on the theoretical continuity of geological events (for example, lithology, alteration and mineralization).

Resources that are either measured or indicated (as opposed to inferred) are sometimes together referred to as *demonstrated resources*. Resources of all three categories are sometimes together referred to as *identified resources*.

The following diagram sets forth the relationships among the different categories of resources and reserves:



Based on the methods and categories described above, CODELCO's demonstrated reserves include 46 million tons of copper ore, an amount that represents at least 25 years of future production at current levels. CODELCO's demonstrated resources include 89 million tons of copper ore, and its identified resources include 258 million tons of copper ore.

The following table sets forth the amount and grade of CODELCO's copper holdings by division:

	Identified Resources			Demonstrated Resources			Demonstrated Reserves		
	Ore reserves(1)	Grade copper	Fine copper(2)	Ore reserves(1)	Grade copper	Fine copper(2)	Ore reserves(1)	Grade copper	Fine copper(2)
CODELCO Norte.....	13,379	0.50%	66	3,648	0.70%	25	2,023	0.82%	17
Salvador.....	1,904	0.46	9	1,556	0.48	8	199	0.70	1
Andina.....	16,044	0.54	87	2,749	0.73	20	902	0.90	8
El Teniente.....	10,722	0.66	70	4,212	0.79	33	2,037	0.98	20
Others(3).....	6,796	0.39	26	655	0.49	3	—	—	—
Total	48,845	0.53%	258	12,820	0.70%	89	5,161	0.89%	46

(1) In millions of metric tons.

(2) In millions of metric fine tons.

(3) Includes areas, such as the Gaby deposit, not within one of CODELCO's four divisions.

The system described above for categorizing mineral ore is widely used within the mining industry (and codified in such international regulations as the Joint Ore Reserves Committee (JORC) code of Australia, the South African Mineral Resources Committee (SAMREC), and the Reporting Code of Great Britain). Other systems of categorization are also used; one such system is that used by the U.S. Geological Survey.

The following table sets forth the copper holdings of the world and of CODELCO using the U.S. Geological Survey system:

	World (in millions of tons)	CODELCO (in millions of tons)	CODELCO's share (%)
Resources.....	1,600	314	20%
Reserve Base ⁽¹⁾	940	189 ⁽²⁾	20%

(1) As defined by the U.S. Geological Survey.

(2) Identified as resources at a cut-off grade of 0.4% copper per ton.

In order to define the development strategy of CODELCO and each of its Divisions, and to maximize the value of its vast mining resources, CODELCO has developed a "life-of-mine" business plan, or Business and Development Plan ("BDP").

The 2004 BDP enables CODELCO to develop a long-term mining plan, which for practical reasons only includes the first 50 years of projections. CODELCO reviews the terms of the BDP annually to update or modify it for changes in business trends.

The 2004 BDP uses inferred resources to define CODELCO's strategic vision for long-term resource development. However, the incorporation of such resources increases gradually over time and as the inferred resources become demonstrated reserves. This process is in accordance with criteria established by the CIMVAL code of Canada (Standard and Guidelines for Mineral Valuation of Mineral Properties).

In early stages of the 2004 BDP, production is almost exclusively based on demonstrated reserves and mining projects at advanced stages of engineering or at the investment stage. Mining projects must support their economic evaluation based on demonstrated reserves in order to be approved for investment.

During the first 10 years of CODELCO's 2004 BDP, 86% of committed production, including current operation and new projects, corresponds to demonstrated reserves.

Production Costs of Copper

CODELCO's production costs include all costs and expenses incurred in connection with the mining and production of its copper mix and related by-products. These production costs do not include administrative and operating costs incurred in connection with the processing of other copper products purchased from third parties.

In 2003, CODELCO's annual production of copper was 1.56 million metric tons, or 1.67 million including El Abra. As a result, each one cent change in CODELCO's average annual per pound copper price causes a variation in operating profit of approximately U.S.\$33 million. CODELCO continues to focus on the control of its production costs, which generally have declined from 1993 to 1998 and have been maintained since then. In 2003, CODELCO's cash cost of production was 42.7 cents per pound compared to 44.7 cents in 1998.

CODELCO continues to develop and refine management programs and practices to control the cost of copper production and to build on the substantial cost savings achieved in past years. CODELCO believes that its cost reduction program has allowed it to face the challenges posed by low levels of copper prices in the past. These include the following: (i) improved deposit identification and mining techniques, (ii) the development of a workforce and management partnership which, together with work force reductions and advances in mining technology, has resulted in improved labor productivity, (the amount of copper produced per worker has increased 23.1% from 76.1 tons in 1998 to 93.7 tons in 2003) (iii) implementation of early retirement and workforce reduction programs, (iv) a decrease in the amount spent on the outsourcing of maintenance and operational support services and (v) a reduction in expenses for materials used in the processes of copper production due to improved relationships with suppliers. CODELCO believes that it will be able to continue to control its cash cost of production per pound with these programs and practices.

Resource Development

CODELCO has a two-pronged exploration program that is focused on increasing new resources for its existing divisions and exploring for new deposits outside its current operations in Chile and abroad. CODELCO holds an estimated 20% of the world's copper reserve base.

CODELCO's main exploration projects can be summarized, in order of economic importance, as follows:

(1) *Gaby*: CODELCO believes that this deposit contains approximately 800 million metric tons of oxide material at a copper grade of approximately 0.4%. The conceptual engineering phase of the Gaby exploration project concluded in early 2004 and is currently in the basic engineering stage.

(2) *Toki Cluster*: Corresponds to a group of four individual deposits (Opache, Genoveva, Toki, and Quetena) located approximately five kilometers northwest of the city of Calama. CODELCO believes that this group of deposits contains approximately 3.41 billion metric tons of oxide and sulfide material at a copper grade of approximately 0.39%. CODELCO's explorations in the Toki Cluster have reached an advanced stage, and the Toki and Quetena deposits are being mapped onto a two-hundred meter by two-hundred meter grid for detailed analysis.

(3) *Oxidos Norte at Chuquicamata*: This deposit lies north of the main pit and is closest to the Radomiro Tomic deposit. It has 60 meters of overburden and could prove to be feasible as a low-cost open-pit operation. CODELCO believes that this deposit contains approximately 234 million metric tons of oxide material at a copper grade of approximately 0.48%.

(4) *Mansa Mina North*: Located directly north of the Mansa Mina ore body, with inferred sulfide resources of 198 million metric tons and an average copper grade of 0.92%.

(5) *Mansa Mina South*: Located at the southern rim of the Mansa Mina ore body, with inferred resources of 47 million metric tons and an average copper grade of 1.48%.

(6) *Radomiro Tomic Sulfides*: CODELCO estimates that this deposit contains a total of 5.63 billion metric tons of primary sulfides with an average copper grade of 0.36%, and 134 million tons of 0.77% copper grade in the secondary enrichment zone.

(7) *San Antonio at Salvador*: CODELCO estimates that this ore body contains 202 million metric tons of oxide resources with an average copper grade of 0.62%. The ore body also contains sulfide resources that are not yet included in development plans.

There are also a number of other locations within each division that are presently being studied. These locations provide CODELCO with exploration potential near deposits with which it is familiar.

Marketing

General

CODELCO has 17 sales representatives covering over 35 countries around the world. The following table shows the breakdown of CODELCO's sales by product type including third-party products for the five years ended December 31, 2003:

	Sales by Product Type (in thousands of metric tons)				
	1999	2000	2001	2002	2003
Cathodes.....	1,445	1,458	1,645	1,580	1,381
Fired Refined.....	163	158	154	138	136
Blister.....	43	74	69	86	70
Concentrates.....	122	182	197	130	207
Total	1,773	1,872	2,065	1,934	1,794

CODELCO's marketing strategy is focused in four major areas:

- *Pricing*. CODELCO prices its products at prices competitive in the market.
- *Establishing long-term relationships*. CODELCO encourages sales through annual contracts and direct long-term relationships with copper consumers.
- *Quality and sales service*. CODELCO focuses on product quality and sales service based on timeliness, scheduling and conditions of product delivery.
- *Diversification*. CODELCO has a geographically diverse sales portfolio.

Pricing and Hedging

The substantial majority of copper produced by CODELCO is sold to customers with long-term relationships with CODELCO, generally under annual contracts. For such contracts, pricing is based on prevailing monthly average copper prices quoted on LME for a quotational period, generally the month following the scheduled month of shipment. To the extent not sold under annual contracts, copper is sold on commodity exchanges or on a spot sale basis to merchants and consumers.

CODELCO applies a premium policy in sales of its Grade A cathodes. Premium amounts for different markets are adjusted in accordance with prevailing ocean freight costs and keyed to the standard terms of payment in different markets, as well as to the individual characteristics and competitive conditions of those markets. For 2004, the base premium for CIF (shipments of copper including shipping and insurance costs) to Rotterdam was set at U.S.\$60 per metric ton, as compared to the premium of U.S.\$38 per metric ton established in 2003.

CODELCO sells its copper concentrates under long-term contracts. These contracts generally have three-year terms with fixed volume. As a general rule, each year contracts covering one-third of the terms on one-third of the volume come up for negotiation. The selling price is based on world metal prices and is generally tied to the LME settlement prices for Grade A copper plus or minus certain premiums.

Molybdenum is sold in sulfide form to roasting plants and merchants and other refiners under annual contracts. Sales prices are based on prevailing monthly averages of molybdenum dealer oxide high/low prices as quoted in "Metals Week" for a quotational period, generally the month following the scheduled month of shipment.

Depending on market fundamentals and other considerations, CODELCO has engaged, from time to time, in certain hedging activities, such as futures and min/max option contracts, in order to moderate its exposure to the price volatility of copper. These hedging transactions are required to be approved by the Board of Directors. Subject to market conditions, CODELCO may choose to engage in such hedging activities in the future.

CODELCO periodically enters into futures contracts at the request of customers with respect to sales of its own copper in order to provide protection to its customers against fluctuation in the sale price paid by them in connection with such sales.

Major Export Customers

As discussed above, most of CODELCO's customers receive shipments on a monthly basis. Consequently, CODELCO's sales volume is relatively consistent throughout the year. CODELCO's copper sales are diversified with (i) 47% going to Asia, 35% to Europe, 11% to North America and 7% to South America and (ii) approximately 29% of its total copper sales volume going to its top ten customers.

The following table shows CODELCO's copper sales for the three years ended December 31, 2003 to CODELCO's top export markets:

**CODELCO's Copper Sales by Destination
(in thousands of metric tons)**

	2001	2002	2003
China.....	353	339	328
South Korea.....	195	252	219
France.....	237	176	177
Chile.....	46	127	124
United States.....	446	186	123
Italy	162	123	110
Germany	93	75	88
Taiwan.....	98	129	84
Brazil.....	93	60	70
Mexico.....	107	76	42
Japan.....	35	25	35
Spain	42	37	19

The decrease in sales made to the U.S. during 2003 was primarily due to a 3% decline in copper consumption in 2003, related to low levels of industrial production in the U.S. The decrease in sales made to Taiwan during 2003 was primarily due to a 5.6% decline in copper consumption in 2003.

Competition

CODELCO believes that competition in the copper market is based upon price, quality of product and timing of delivery. CODELCO's products compete with other materials, including aluminum and plastics. CODELCO competes with other mining companies and private individuals in connection with the acquisition of mining concessions and mineral leases and in connection with the recruitment and retention of qualified employees.

Employees

At December 31, 2003, CODELCO employed 16,595 persons, approximately 97% of whom were covered by collective bargaining agreements with labor unions. Most of these collective bargaining agreements have terms of two to four years.

The Chuquicamata Division experienced a 10-day strike in 1996 and a work slowdown in 1998, the Radomiro Tomic Division experienced a work slowdown in 2000, the El Teniente Division experienced a short strike by approximately 1,500 subcontractors in 2003, the Andina Division experienced an eleven-day strike in 2003 and the Codelco Norte division experienced a nine-day strike in October 2004. None of these events had a material effect on production in the divisions.

CODELCO employed an average work force of 16,678 persons during 2003, a decline of 1.7% as compared with 2002. This decrease marked a continuation of the trend of recent years in which CODELCO's work force was reduced from 17,313 employees in 1999 to 16,595 employees at December 31, 2003, as a result of CODELCO's efforts to boost corporate productivity. CODELCO employed 16,558 persons as of June 30, 2004.

The Company has announced that it plans to lay off 1,600 workers at its Codelco Norte Division by 2007 as part of a long-term plan to increase efficiency.

CODELCO spent U.S.\$7.9 million during 2003 on staff development and training. Some 7,833 training sessions were held, with many employees attending multiple courses, for a total of 90,345 participants and 1,268,484 man-hours of instruction.

In 2000, management and the copper workers' and supervisors' unions together reached an agreement on the meaning and content of the "Strategic Alliance". In effect, the purpose of the Alliance is to join forces to achieve the implementation of the Company's goals for the five-year term from 2001 to 2006, with the understanding that this will benefit all parties to the agreement, without lessening the independence and specific role of any party.

Specific elements of the Company's business with which the Strategic Alliance is concerned include: its vision of the future of copper and CODELCO; the values that must govern each action by the Company and each of its workers; its mission; the business areas in which it will concentrate its efforts; the targets and commitments to be met over the next six years; and its management model and strategic drives or priorities.

There are currently 17,614 employees of regular subcontractors of CODELCO. Their number has from time to time been increased to as many as 23,000 during times of increased production or investments. Pursuant to the Labor Code, CODELCO is secondarily liable for the payment of labor and social security obligations owed to the employees of the subcontractors. For this reason, CODELCO has agreed with a Chilean governmental agency to provide a framework to facilitate this agency's supervision of the labor and social security obligations owed by the subcontractors to their employees.

As part of its compensation plan, CODELCO offers each employee the opportunity to partially finance the purchase of a first home or to obtain other personal loans granted through each employee's severance plan. Such home loans have a term of up to 15 years, and such personal loans have a term of less than one year. Loans of both kinds provide for interest rates of actual inflation plus a margin of between 1% and 5%. As of June 30, 2004, an aggregate of U.S.\$139 million in principal amount of these loans was outstanding.

Number of Employees by Division

Division	January-December		Variation (%) 2002/2003
	2002	2003	
Codelco Norte			
Chuquicamata.....	7,245	7,330	1.2
Radomiro Tomic	682	673	(1.3)
Salvador.....	1,941	1,852	(4.6)
Andina.....	1,157	1,153	(0.3)
El Teniente.....	5,171	4,877	(5.7)
Headquarters.....	507	567	11.8
Talleres.....	264	226	(14.4)
Total	16,967	16,678	(1.7)

Legal Proceedings

CODELCO is involved in various pending legal actions initiated by or against the Company. These lawsuits are inherent to the nature of the environment in which CODELCO develops its mining, industrial and commercial activities.

In November 1996, Construcciones y Montajes Eroles Ltda. initiated a civil legal ordinary proceeding against CODELCO before the Courts of Los Andes, for U.S.\$21.0 million in damages, seeking the annulment of arbitration and a settlement on the payment of damages for a breach of contract claim. For the years ended December 31, 2003 and 2002, see note 24, "Commitments and Contingencies" of the notes to the Consolidated Financial Statements included herein.

In 2003, 23 workers initiated a civil legal proceeding against CODELCO, Division Andina, before the Ordinary Courts of Los Andes, for U.S.\$19.0 million in damages for alleged silicosis provoked by working conditions in the mines. Another civil legal proceeding, for the same reason and for U.S.\$27.0 million, was initiated in April 2004 by 24 other workers of División Andina against CODELCO.

In March 2004 arbitration proceedings were initiated by CODELCO and Empresa Eléctrica Alto Cachapoal concerning fulfillment of a contract and indemnification. The amount involved in this proceeding is U.S.\$30.0 million.

Although CODELCO is at this time unable to predict the final outcome of these legal proceedings, it does not believe that they, individually or in the aggregate, could have a material adverse effect on the Company's business, prospects, and results of operations or its financial condition.

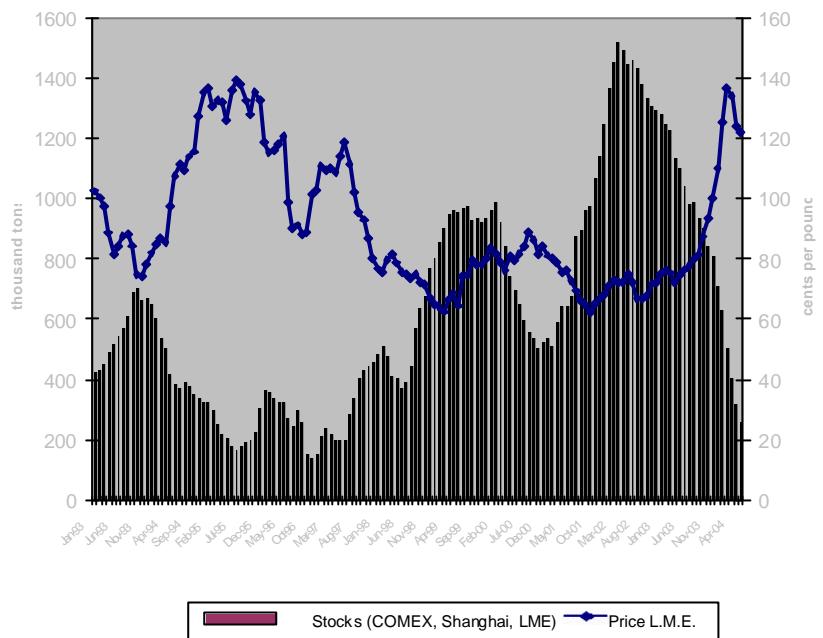
OVERVIEW OF THE COPPER MARKET

Copper is an internationally traded commodity, the price of which is effectively established on terminal markets including the LME and COMEX. The following table sets forth quarterly average prices for refined copper since 1999 on the LME:

Average Copper Price (U.S.\$/Pound)		
1999		
First Quarter.....	0.638	
Second Quarter.....	0.665	
Third Quarter.....	0.762	
Fourth Quarter.....	0.789	
2000		
First Quarter.....	0.814	
Second Quarter.....	0.849	
Third Quarter.....	0.838	
Fourth Quarter.....	0.701	
2001		
First Quarter.....	0.801	
Second Quarter.....	0.749	
Third Quarter.....	0.668	
Fourth Quarter.....	0.647	
2002		
First Quarter.....	0.705	
Second Quarter.....	0.729	
Third Quarter.....	0.689	
Fourth Quarter.....	0.705	
2003		
First Quarter.....	0.755	
Second Quarter.....	0.744	
Third Quarter.....	0.995	
Fourth Quarter.....	0.934	
2004		
First Quarter.....	1.239	
Second Quarter.....	1.265	

Source: London Metal Exchange, Monthly Average Settlement.

The following graph compares average market prices for copper and the level of LME, Shanghai and COMEX inventories from 1985 to June 2004:



Year 2004 price is the average price January to June; Year 2004 stocks are as of June, 2004.
Source: CODELCO

Historically, copper prices have been subject to wide fluctuations and are affected by numerous factors, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers and others and actions of participants in the commodities markets. To a lesser extent, copper prices are also subject to the effects of inventory carrying costs and currency exchange rates. In addition, the market prices of copper have occasionally been subject to rapid short-term changes.

Opportunities for Copper

Copper prices began to decline in the third quarter of 1997 and continued to fall through the third quarter of 2002, due primarily to (i) increased copper inventories on the LME, (ii) an anticipated increase in the supply of copper mainly from new copper projects that have begun operations since 2001 or that are expected to begin operations in the near term, (iii) the effects of the Asian economic crisis of 1998-1999 and (iv) a very slow increase in world copper demand, due to the slower than expected pace of the U.S. economic recovery.

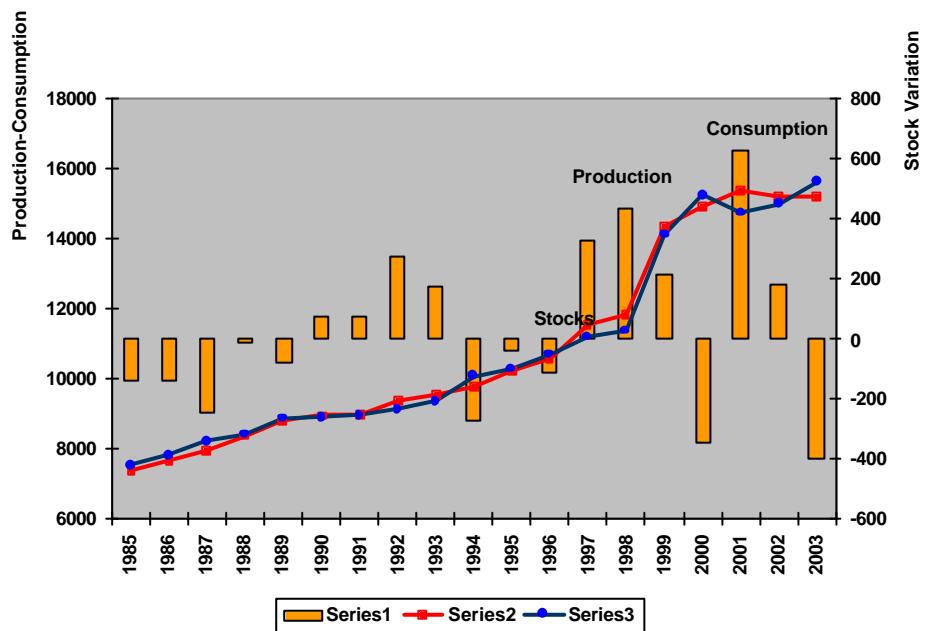
After reaching historic lows in 2001 and 2002, copper prices began to increase in the fourth quarter of 2002. LME copper prices averaged 80.7 cents per pound in 2003, as compared to 70.6 cents per pound in 2002 and 71.6 cents per pound in 2001. In 2003 the average LME copper price of 80.7 cents per pound was almost 10 cents higher than the average price in 2002. In the first half of 2004, copper prices averaged 125.3 cents per pound. The higher price was the result of increased consumption rates combined with flat production growth. Global demand for copper in 2003 grew by 4.0%, led by Asia and specifically China, where demand grew at 14.2%. China's consumption rate continues to be based on domestic growth and the country's burgeoning export market.

In the first half of 2004, copper prices surged to levels not seen since 1995. The higher prices reflect an imbalance in supply and demand due to continued high demand from China and other Asian economies such as Japan and India, and the economic recovery in the U.S., which is the second largest copper consumer after China.

Consumption of refined copper in the world is expected to rise by 7.2% in 2004. Additionally, CODELCO believes that there is a positive outlook for copper demand that is mainly attributable to high potential consumption in developing countries and transitional economies. Rapidly industrializing countries in Asia and Latin America stand out among the developing economies, in particular India and China. In addition, the price relationship between copper and copper substitutes such as aluminum has improved in favor of copper in recent years. Furthermore, various end-use sectors are increasing their consumption, the result of larger and better-equipped houses, as well as of the greater demand for and availability of electrical and electronic products in commercial and residential buildings.

There is also increased general use of copper tubing particularly in air conditioning systems. The quantity of copper consumed in electrical applications in cars, trains and other vehicles has also increased. In the electricity generation and transmission area, the control of energy losses and a growing concern for higher energy efficiency are factors that have tended to increase demand for copper. The end of widespread substitution of aluminum for copper in overhead high-voltage transmission lines also bodes well for the metal's future. Reinforcing this development is a trend in the power transmission markets of the U.S., Europe, Japan and other countries toward installation of underground cables, where copper has clear advantages. New technologies also hold promise for copper. These include: the electric car, a potentially large copper consumer; the copper rotor for electric motors; the copper radiator; and signal compression systems that use paired copper wiring.

Historically, demand and supply of copper have demonstrated continued growth during periods of oversupply as well as periods of overconsumption. The following graph shows the historical development of copper supply, demand and stocks in the western world from 1985 through 2003:



REGULATORY FRAMEWORK

Overview of the Regulatory Regime

CODELCO is a mining, industrial and commercial state-owned enterprise with its own capital. CODELCO was created pursuant to Decree Law 1.350 of Chile, which provides that CODELCO is governed by such Decree Law, CODELCO's bylaws and the general legal framework law applicable to private companies (provided that they do not contravene Decree Law 1.350 and applicable regulations). Decree Law 1.350 also establishes CODELCO's principal corporate purpose as the exercise of the mining, exploration and other rights belonging to the Chilean State at the time of the creation of CODELCO in 1976. Decree 146 of August 12, 1991 sets forth CODELCO's current bylaws and specifies that CODELCO's corporate existence is of indefinite duration.

The Chilean government and its agencies closely supervise CODELCO's operations. CODELCO's link to the Government of Chile is through the Ministry of Mining. The President of the Republic names CODELCO's seven directors and must approve any amendments to CODELCO's by-laws. Pursuant to Decree Law 1.350, CODELCO's Board of Directors must also submit its proposed annual budget to the Ministries of Mining and Finance for approval. In addition, Decree Law 1.350 directs CODELCO to include as part of its proposed annual budget a debt amortization budget that includes interest and principal payments on CODELCO's debts, including the notes. CODELCO's budget and financial statements are subject to both internal and external controls. CODELCO's Board of Directors is responsible for monitoring its operations, and CODELCO retains both independent auditors to audit its consolidated financial statements and an internal comptroller to review its finances, accounting and administration. Chilean law requires that CODELCO obtain the approval of the Ministry of Finance before it can assume any financial indebtedness and before it can acquire assets outside of Chile with financial or payment terms exceeding one year. Although CODELCO is 100% owned by the Chilean State, Chile is not legally liable for CODELCO's obligations unless expressly guaranteed by Chile, nor do such obligations form any part of the direct public debt of the Chilean State. A constitutional amendment would be required to allow private participation in CODELCO's ownership.

CODELCO is subject to the supervision of (i) the *Contraloría General de la República*, or the General Comptroller of the Republic and (ii) the *Comisión Chilena del Cobre*, or the Chilean Commission of Copper, governmental agencies that, among other authorities, are responsible for the review of CODELCO's operations. Furthermore, other government agencies in charge of specific areas, such as taxes and customs, exercise their legal authorities with respect to CODELCO as they do in regard to any other company of the Chilean private sector.

Finally, CODELCO is registered under the Securities Registry No. 785 of the *Superintendencia de Valores y Seguros* or Chilean Superintendency of Securities and Insurance and, as a result, it is subject to its regulations and supervision.

Mining Regulations

Legal framework. CODELCO's exploration, mining, milling and refining activities are subject to those Chilean laws and regulations which are generally applicable to Chilean companies in the mining sector. The legal framework which regulates CODELCO as a mining company is contained in the Constitutional Law Governing Mining Concessions (Law 18.097 of January 21, 1982) and the Mining Code (Law 18.248 of October 14, 1983). Under Chilean mining law, the Chilean State is the owner of all mineral and fossil substances, regardless of who may be the owner of the land in which such substances are located. Private persons and companies may obtain mining concessions for exploration and exploitation. These concessions are granted by judicial resolutions in accordance with the Mining Code.

Exploitation concessions are transferable, mortgageable and irrevocable and regulated by the same civil law that regulates real estate rights generally. The owner of an exploitation concession may occupy as much of the surface as is necessary for mining activities upon the creation of a mining easement and proper payment of a fee or upon other authorization given by the land owner, such as a lease agreement or a license. Exploitation concessions do not have a fixed duration. Exploration concessions are granted for two years, upon proper payment of a fee, and may be extended for two additional years. After the expiration of this second two-year period, exploration concessions must be converted to exploitation concessions or lost.

CODELCO owns mining concessions granted by the Chilean Ordinary Courts for its exploration and exploitation operations. Some of these concessions were previously held by foreign private mining companies before such being transferred to the State in 1971 and then to CODELCO upon its creation in 1976. CODELCO's principal concessions are those which give rights to the mineral deposits of the Chuquicamata, El Teniente, Andina, Salvador and Radomiro Tomic mines. CODELCO's concessions relating to land that is currently being mined essentially grant a perpetual right to conduct mining operations in that land, provided that annual concession fees are paid. In 2003, CODELCO paid total concession fees of U.S.\$2.1 million.

Pursuant to the Mining Code, all mining concessions as well as certain raw materials and property related to the extraction of minerals cannot be subject, except in extremely limited circumstances, to an order of attachment. In addition, pursuant to the Chilean Constitution, mining concessions corresponding to mining deposits exploited by CODELCO upon its creation in 1976 cannot be subject to attachment nor to any act of disposition by CODELCO. As a result, the rights of holders to attach property of CODELCO in the event of a default under the notes would be limited by such provisions. See "Risk Factors—Risks Relating to the Offering—In case of a default under the notes, the ability of holders to attach property of CODELCO may be limited by law".

Environmental Regulations

CODELCO's operations are subject to Chilean national and regional laws and regulations and foreign laws and regulations regarding the protection of the environment and natural resources and the effect of the environment on human health and safety, including laws and regulations on water, air and noise pollution, the handling, disposal and transportation of hazardous waste and occupational safety and health. The General Environmental Law (Law 19.300) enacted in March 1994 created the National Environmental Commission (CONAMA) and established a framework for environmental regulation in Chile. Chilean environmental laws and regulations, and the enforcement thereof, have become increasingly stringent in recent years, and it is likely that additional laws and regulations will be enacted in the future that may impose additional restrictions on CODELCO, such as laws and regulations relating to environmental litigation and protection of the environment, particularly those relating to water quality standards and soil contamination. As described in more detail below, CODELCO incurs substantial capital and operating costs relating to environmental compliance. Many of these costs are inextricably intertwined, however, with the operation of CODELCO's business as a whole.

The General Environmental Law, as supplemented by additional regulations, permits the government to (i) bring administrative and judicial proceedings against companies that violate environmental laws, (ii) close non-complying facilities, (iii) revoke required operating licenses and (iv) impose sanctions and fines when companies act negligently, recklessly or deliberately in connection with environmental matters. The General Environmental Law also grants any person the right to bring civil actions against companies that are not in compliance with environmental laws and regulations, after such non-compliance has been established by a judicial proceeding. CODELCO is currently not aware of any such lawsuits pending against it. Additionally, private citizens who are affected by environmental pollution may petition for relief to a Chilean Court of Appeals, which has the power to require the suspension of the offending activity and to adopt protective measures through a process called *recurso de protección* (protective action).

The General Environmental Law contains certain rules on Evaluation of Environmental Impact which have been in effect since April 3, 1997 and which provide that CODELCO must conduct environmental impact studies of any future projects or activities that may significantly affect the environment. CODELCO has conducted these environmental impact studies pursuant to the General Environmental Law.

Chile has adopted environmental regulations requiring various industrial companies operating in Chile, including CODELCO, to undertake programs to reduce, control or eliminate various types of pollution. CODELCO has undertaken certain environmental projects to comply with such regulations. Between 1994 and 2003, CODELCO has invested more than U.S.\$1 billion in environmental measures, and has continued the implementation of its pollution abatement plans through additional capital investments. Such investments included the construction of a second sulfuric acid plant at the Caletones smelter, the implementation of a new transportation system for sulfuric acid at the El Teniente Division and the completion of an acid plant at the Potrerillos smelter, among others. From 2004 through 2008, CODELCO plans to continue implementing its pollution abatement plan through

additional capital investments of approximately U.S.\$71 million. CODELCO is also developing extensive environmental conservation programs at its mining facilities.

Pursuant to Chilean environmental law, CODELCO must comply with certain special regulations regarding the Chuquicamata, Potrerillos and Caletones smelting plants. These areas have been declared *zonas saturadas* (saturated areas) due to their current levels of air pollution. CODELCO is implementing pollution abatement plans, the costs of which are included in CODELCO's pollution abatement budget.

As part of its pollution abatement efforts CODELCO is implementing water recovery systems, the costs of which are also budgeted for in CODELCO's pollution abatement plan, to conserve and minimize contamination of nearby streams. New regulations regarding the quality of waste water discharges were enacted in March of 2001, requiring existing industries to comply with them before September of 2006. Because this regulation was prepared without considering the specific characteristics of the mining industry, including its high volume of waste water discharges and scale of its operations, Chilean environmental authorities are currently studying and drafting special regulations applicable to waste water discharges from tailings dams. In addition, Chilean environmental authorities are currently reviewing a special regulation for sulfate and molybdenum waste water that is discharged from the Carén tailings dam in CODELCO's El Teniente Division.

Pursuant to CODELCO's policy, the Company provides for future costs associated with the disposal of tailings, which is an environmental cost upon closure of a mine. As of December 31, 2003, this provision totaled approximately U.S.\$72.3 million.

Additionally, new regulations were enacted in February 2004 governing safety standards for mining operations. Pursuant to these regulations all mining companies, including CODELCO, should provide closure plans for their mining facilities demonstrating compliance with safety standards; such plans should be updated every five years and should consider the requirements set forth in the environmental authorization issued for the respective facility, if any. These regulations may be supplemented in the future with new environmental regulations which may impose additional requirements on CODELCO in connection with closure plans. For such purposes, CODELCO currently provides for the costs of disposing of tailings, which are part of the total costs associated with closing its mines. CODELCO believes it is and will continue to be in material compliance with these statutory requirements.

Future legislative or regulatory developments, private causes of action or the discovery of new facts relating to environmental matters could impose new restrictions or result in additional costs that could have a material adverse effect on CODELCO's business, financial condition, results of operations or prospects. See "Risk Factors—Risks Relating to CODELCO's Operations—CODELCO's compliance with environmental, health and safety laws may require increased capital commitments, and non-compliance may subject it to significant penalties".

Enforceability of Obligations

CODELCO's commercial obligations are enforceable in the same manner as those of any privately owned company in Chile. Even though CODELCO is a state-owned enterprise, it is subject to the same laws and regulations applicable to all private Chilean corporations. This principle is consistent with the Constitution of 1980, which, in number 21 of Article 19, states that if the Chilean State and its bodies carry out commercial activities, they will be governed by common legislation applicable to private persons, unless a specific law approved by an absolute majority of representatives of Congress and senators dictates otherwise. No such law has been passed with respect to CODELCO.

Payment of Obligations

Article 23 of Decree Law 1.350 provides that CODELCO has the obligation to return the total proceeds of its exports to Chile, but has no obligation to convert the proceeds to Chilean pesos in excess of its peso requirements. The proceeds from its exports are deposited at the Central Bank of Chile, and withdrawals against such foreign exchange deposits are made to cover CODELCO's expenses. In addition, Article 13 of Decree Law 1.350 directs CODELCO to prepare a debt amortization budget which must include the payment of principal of CODELCO's debts and related interest payments, including the notes. This budget, as part of the general budget of

CODELCO, is approved annually by joint decree of the Ministry of Mining and the Ministry of Finance and may be amended to meet non-budgeted expenses. The incurrence of any indebtedness by CODELCO must be authorized by an official letter from the Ministry of Finance. Authorization for the notes issued in connection with this document was received by CODELCO on July 29, 2004.

Statutory Documents

The statutory documents of CODELCO are contained in Decree Law 1.350 published in the Official Gazette of February 28, 1976 and Decree 146 published in the Official Gazette of October 25, 1991. These gazettes may be seen on-line on the Library of the Chilean Congress website (<http://www.bcn.cl/portada.html>) or in a booklet that CODELCO may issue upon request, which contains free translations of the regulations into English.

MANAGEMENT

The Board of Directors and the Chief Executive Officer have primary responsibility for the management and administration of CODELCO. The President of the Republic of Chile appoints, directly or indirectly, the seven members of CODELCO's Board of Directors which include: (i) the Minister of Mines; (ii) the Minister of Finance; (iii) three other directors, one of whom must be a senior officer of the Armed Forces or the Police of Chile, and one of whom must be a civil engineer; (iv) a representative of CODELCO's Confederation of Copper Workers; and (v) a representative of CODELCO's National Association of Copper Supervisors with at least five years tenure with CODELCO. The Minister of Mines and the Minister of Finance act as directors during their term of office. The other directors of CODELCO are named to four-year terms.

The Chief Executive Officer is named by the Board of Directors and remains in office so long as he/she maintains the confidence of the Board. The Chief Executive Officer is responsible for implementing the resolutions of the Board of Directors and supervising the activities of CODELCO.

Directors and Executive Officers

The following table sets forth the current directors and executive officers of CODELCO and their positions:

<u>Name</u>	<u>Position</u>
Directors	
Alfonso Dulanto Rencoret.....	Chairman, Minister of Mines
Nicolás Eyzaguirre Guzmán.....	Director, Minister of Finance
Jorge Navarrete Martínez.....	Director(1)
Patricio Meller Bock	Director(2)
Ricardo Ortega Perrier.....	Director(3)
René Valdenegro Oyaneder.....	Director(4)
Bismark Robles Guzmán.....	Director(5)
Executive Officers	
Juan Villarzú Rohde.....	Chief Executive Officer
Francisco Tomic Errázuriz.....	Senior Vice President Human Development and Chief Financial Officer
Juan Enrique Morales Jaramillo	Senior Vice President Mine Development
Juan Eduardo Herrera Correa.....	Senior Vice President Planning and Control and Chief Strategy Officer
Roberto Souper Rodríguez	Senior Vice President Sales
Isabel Marshall Lagarrigue	Senior Vice President Quality, Marketing and Sustainability
Fernando Moure Rojas.....	Senior Vice President of Shared Services
José Antonio Alvarez López.....	Executive Vice President Finance
Waldo Fortin Cabezas.....	General Counsel
Antonio Nawrath Venegas.....	General Auditor
Nelson Pizarro Contador.....	Senior Vice President- Codelco Norte Division
Ricardo Alvarez Fuentes.....	General Manager - El Teniente Division
Daniel Trivelli Oyarzún	General Manager - Andina Division
Julio Cifuentes Vargas.....	General Manager - Salvador Division

(1) Representative of the President of the Republic.

(2) Professor at the Engineering School of the University of Chile, Representative of the President of the Republic.

(3) Air Force General, Representative of the President of the Republic.

(4) Employee of CODELCO, Representative of the National Association of Copper Supervisors.

(5) Employee of CODELCO, Representative of the Federation of Copper Workers.

There is no family relationship between any director or executive officer and any other director or executive officer. The mailing address for the executives and directors previously listed is Huérfanos 1270, 6th floor, Santiago, Chile. No executive holds a function outside of CODELCO. As listed in the previous table, several of the directors hold other positions outside of the Company. Please see the above table and its footnotes for further information.

Audit Committee

CODELCO's audit committee is comprised of three members of the Board of Directors (currently, Jorge Navarrete, Ricardo Ortega and René Valdenegro) and may invite others to assist in its work. The audit committee's

primary responsibility is to support the Board of Directors by providing and improving internal controls, for which purposes it reviews transactions with related parties and also reviews the work of external auditors and CODELCO's internal audit department. The committee is also responsible for analyzing observations made by Chilean regulatory entities and for recommending measures to be taken by the management in response.

CERTAIN TRANSACTIONS

In the ordinary course of its business, CODELCO engages in a variety of transactions on arm's-length terms with certain related parties. For information concerning these transactions, see Note 5 to the Year-end Consolidated Financial Statements and to the unaudited interim consolidated financial statements for the six months ended June 30, 2004.

In its dealings with El Abra, CODELCO acts through a subsidiary, as agent. CODELCO does not sell copper to Nordeutsche Affinerie Group.

Article 89 of the Chilean Corporations Act requires that transactions with related parties be on terms similar to those of an arm's length transaction. Directors and executive officers of companies that violate Article 89 are liable for losses resulting from such violations. In addition, Article 44 of the Chilean Corporations Act provides that any transaction in which a director has a personal interest or is acting on behalf of a third party must be approved by the Board of Directors, that the Board of Directors must have been informed of such director's interest, and that the terms of such transaction must be similar to those prevailing in the market. When it is not possible to determine comparable market terms, the Board of Directors (with the abstention of the interested director) may appoint two independent advisors to help the board determine whether to approve or reject the transaction. The resolution of the Board of Directors approving any such transaction must be disclosed at the next shareholders meeting following such resolution. However, pursuant to Decree Law 1.350, CODELCO does not hold shareholders meetings, therefore the requirement regarding the shareholders meeting disclosure is not applicable.

Any violation of Article 44 of the Chilean Corporations Act does not affect the validity of the related transaction. However, directors and executive officers of companies that violate Article 44 may face administrative sanctions and criminal prosecution, and may be liable for losses resulting from such violation.

In addition, CODELCO's policy for transactions with related parties is defined and governed by a specific internal regulation created pursuant to general policies established by the Board of Directors and in connection with the guidance provided by Decree Law 1.350 and the Chilean Corporations Act. CODELCO's internal regulation prescribes the manner in which transactions between CODELCO and related entities must be carried out and provides for sanctions if the requirements of the regulation are not met.

FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN CHILE

As a general matter, the Central Bank is, among other things, responsible for monetary policies and for exchange controls in Chile. Most Chilean companies must inform the Central Bank of any international issue of bonds and if the proceeds of the issuance are not left abroad, should be brought into Chile through a bank or other participant in the Formal Exchange Market. Article 23 of Decree Law 1.350 provides that CODELCO has an obligation to return the total proceeds of its exports to Chile, but has no obligation to convert such proceeds to Chilean pesos beyond its peso requirements. These proceeds from its exports are deposited at the Central Bank of Chile, and withdrawals against such foreign exchange deposits are made to cover CODELCO's expenses. As a result, CODELCO does not require foreign exchange approval in connection with the issuance or placement of, or payments upon the notes. See "Regulatory Framework—Payment of Obligations".

DESCRIPTION OF NOTES

The notes will be issued pursuant to a Fiscal and Paying Agency Agreement (the “Fiscal and Paying Agency Agreement”) dated as of October 15, 2003 between CODELCO and JPMorgan Chase Bank, as fiscal and paying agent (the “Fiscal Agent”). The following description of certain provisions of the notes and of the Fiscal and Paying Agency Agreement is subject to and is qualified in its entirety by reference to the provisions of the notes and the Fiscal and Paying Agency Agreement, copies of which will be available for inspection at the office of the Fiscal Agent in The City of New York, currently located at 4 New York Plaza, 15th Floor, New York, NY 10004 and at the office of the Luxembourg paying agent.

General

The notes will be issued by CODELCO and CODELCO will be liable therefor and obligated to perform all covenants and agreements to be performed by CODELCO pursuant to the notes and the Fiscal and Paying Agency Agreement, including the obligations to pay principal, interest and Additional Amounts (as defined below under “Payment of Additional Amounts”), if any. The fiscal agent under the Fiscal and Paying Agency Agreement is JPMorgan Chase Bank (the “Fiscal Agent”, which term shall include any successor fiscal agent under the Fiscal and Paying Agency Agreement).

Notes having the same date of maturity and Interest Payment Dates (as defined below), payable in the same currency, bearing interest at the same rate and the terms of which are otherwise identical, are referred to as a “Series”. The Fiscal and Paying Agency Agreement provides for the issuance by CODELCO from time to time of notes in one or more Series up to an aggregate principal amount of notes as from time to time may be authorized by CODELCO, subject to all required government authorizations.

The notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum from the date of issuance or from the most recent interest payment date to which interest has been paid or provided for. Interest on the notes will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on April 15, 2005, or, if any such date is not a Business Day (as defined below), on the next succeeding Business Day (each an “Interest Payment Date”) to the person or persons (each a “Holder”) in whose name such notes are registered in the Security Register (as defined below) at the close of business on the March 31 and September 30, respectively, preceding such Interest Payment Dates (each a “Record Date”). Interest on the notes will be calculated on the basis of a 360-day year of twelve 30-day months. For the purposes hereof, the term “Business Day” means a day on which banks in The City of New York are not authorized or required by law or executive order to be closed.

Payments of interest and principal with respect to interests in the Global Notes (as defined below) will be credited by DTC, Euroclear or Clearstream, as the case may be, to the account of the holders of such interests with DTC, Euroclear or Clearstream, as the case may be.

The notes will mature on October 15, 2014 at the price equal to the outstanding principal amount thereof. The notes will not be redeemable prior to maturity except in the event of certain developments affecting taxation at the price equal to the outstanding principal amount thereof, together with any Additional Amounts and accrued interest to the redemption date. The notes will be direct, unsecured and unsubordinated obligations of CODELCO ranking *pari passu* among themselves and with all other unsecured and unsubordinated obligations of CODELCO, other than certain obligations granted preferential treatment pursuant to Chilean law. The notes contain no restrictions on the amount of additional indebtedness which may be incurred by CODELCO or its subsidiaries, however, as set forth under “—Limitation on Liens” below, the notes contain certain restrictions on the ability of CODELCO and its subsidiaries to incur secured indebtedness.

Registration, Form and Delivery

The notes may be issued in definitive, fully registered form, without coupons, in denominations of U.S.\$100,000 principal amount at maturity and multiples of U.S.\$1,000 in excess thereof. The notes will be exchangeable and transfers thereof will be registrable, at the office of the Fiscal Agent (including the office of the

Luxembourg transfer and paying agent). No charge will be made to holders of the notes in connection with any exchange or registration of transfer, except for the expenses of delivery by other than regular mail (if any) and except for the payment of a sum sufficient to cover any tax or other governmental charges or insurance charges that may be imposed in relation thereto.

The Fiscal Agent will maintain at its operations department in The City of New York, currently located at 4 New York Plaza, 15th Floor, New York, NY 10004, a security register (the “Security Register”) with respect to the notes. The name and address of the registered Holder of each Note and the amount of each Note will be recorded in the applicable Security Register, and the Fiscal Agent and CODELCO may treat the person in whose name the Note is registered as the owner of such Note for all purposes. For so long as the notes are represented by one or more Global Notes, the registered owner of a Global Note, in accordance with the terms of the Global Notes, may be treated at all times and for all purposes by CODELCO and the Fiscal Agent as the sole owner with respect to such notes with respect to all payments on the notes and for all other purposes under the terms of the notes and the Fiscal and Paying Agency Agreement.

Global Notes; Book-Entry Form

The notes initially sold to qualified institutional buyers (or “QIBs”), as defined in Rule 144A under the Securities Act, will be evidenced by one or more permanent Rule 144A Global Notes (each a “144A Global Note”), which will be deposited with, or on behalf of, DTC and registered in the name of Cede & Co., as DTC’s nominee.

The notes initially sold to persons who acquire such notes in compliance with Regulation S under the Securities Act will be evidenced by one or more permanent Regulation S Global Notes (each a “Regulation S Global Note” and, together with the 144A Global Notes, the “Global Notes”), which will be deposited with, or on behalf of, DTC and registered in the name of Cede, as DTC’s nominee.

Any resale or transfer of such interests to U.S. persons (as that term is defined in Regulation S) during the restricted period (as defined below) shall only be permitted as described in this offering memorandum. The 144A Global Notes and the Regulation S Global Notes are hereinafter sometimes referred to individually as a “Global Note” and collectively as the “Global Notes”. Except as set forth below, the record ownership of the Global Note may be transferred, in whole or in part, only to DTC, another nominee of DTC or to a successor of DTC or its nominee.

Prior to the 40th day after the later of the commencement of the offering of the notes and the date of the closing of the sale of the notes (through and including the 40th day, the “restricted period”), transfers by an owner of a beneficial interest in the Regulation S Global Notes to a transferee who takes delivery of this interest through the 144A Global Notes will be made only in accordance with applicable procedures and upon receipt by the Fiscal Agent of a written certification from the transferor of the beneficial interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A. Such written certification will no longer be required after the expiration of the restricted period.

Transfers by an owner of a beneficial interest in the 144A Global Notes to a transferee who takes delivery of such interest through the Regulation S Global Notes will be made only upon receipt by the Fiscal Agent of a certification from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

QIBs may hold their interests in any of the 144A Global Notes directly through DTC, if they are participants in DTC (“Participants”), or indirectly through organizations that are Participants. Transfers between Participants will be effected in the ordinary way in accordance with DTC rules. Non-U.S. Persons may hold their interests in any of the Regulation S Global Notes through DTC as described, directly through Euroclear or Clearstream, or indirectly through organizations that are participants in Euroclear or Clearstream (“Euroclear Participants” and “Clearstream Participants”, respectively). Euroclear and Clearstream will hold interests in the relevant Regulation S Global Notes on behalf of their participants through DTC. Transfers between Euroclear Participants and between Clearstream Participants will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a 144A Global Note will, upon transfer, cease to be represented by a Regulation S Global Note and will become represented by a 144A Global Note and, accordingly, will be subject to the procedures applicable to beneficial interests in a 144A Global Note for as long as it remains such an interest. Any beneficial interest in a 144A Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note will, upon transfer, cease to be represented by a 144A Global Note and will become represented by a Regulation S Global Note and, accordingly, will be subject to the procedures applicable to beneficial interests in a Regulation S Global Note for as long as it remains such an interest.

Cross-market transfers between Participants, on the one hand, and Euroclear or Clearstream Participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary, however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions directly to the depositories for Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream Participant purchasing a beneficial interest in a Global Note from a DTC Participant will be credited during the securities settlement processing day immediately following the DTC settlement date and such credit of any transactions in beneficial interests in such Global Note settled during such processing will be reported to the relevant Euroclear or Clearstream participant on such business day. Cash received in Euroclear or Clearstream as a result of sales of beneficial interests in a Global Note by or through a Euroclear or Clearstream Participant to a Participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Upon the issuance of the Global Notes, DTC will credit, on its book-entry registration and transfer system, the respective principal amounts of the notes represented by the Global Notes to the accounts of Participants. Each Global Note will be deposited on the date of the closing and sale of the notes with, or on behalf of, DTC and registered in the name of Cede, as nominee of DTC. The accounts to be credited will be designated by the initial purchasers. Ownership of beneficial interests in a Global Note will be limited to Participants or persons that may hold interests through Participants. Ownership of interests in such Global Notes will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC (with respect to Participants' interests) and such Participants (with respect to the owners of beneficial interests in such Global Notes). The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited.

Persons who are not Participants may beneficially own interests in Global Notes held by DTC only through Participants, including Euroclear and Clearstream, or certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a Participant, either directly or indirectly, and have indirect access to the DTC System ("Indirect Participants"). So long as Cede, as the nominee of DTC, is the registered owner of the Global Notes, Cede for all purposes will be considered the sole Holder of the notes. Except as provided below, owners of beneficial interests in the Global Notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive physical delivery of notes in definitive form and will not be considered the holders thereof.

Each person owning a beneficial interest in the Global Notes must rely on the procedures of DTC and, if such person is not a Participant, on the procedures of the Participant through which such person owns its interest, to exercise any rights of a Holder of notes under the Global Notes and the Fiscal and Paying Agency Agreement. DTC may grant proxies and otherwise authorize Participants to take any action that DTC, as the holder of a Global Note, is entitled to take under such Global Note and the Fiscal and Paying Agency Agreement. CODELCO understands that under existing industry practice, in the event CODELCO requests any action of holders of notes or an owner of a beneficial interest in a Global Note desires to take any action that DTC, as the holder of such Global Note, is

entitled to take, DTC would authorize the Participants to take such action, and the Participants would authorize beneficial owners owning through such Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Payment of principal of, and interest and any Additional Amounts on, the notes will be made by CODELCO in immediately available funds to Cede, the nominee for DTC, as the registered owner of the Global Notes. Neither CODELCO nor the Fiscal Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or the maintaining, supervising or reviewing of any records relating to such beneficial ownership interest.

Upon receipt of any payment on the Global Notes, DTC, under its current practice, will credit Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amounts of the Global Notes as shown on the records of DTC. Payments by Participants to owners of beneficial interests in the Global Notes held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name", and will be the responsibility of such Participants.

Because DTC can act only on behalf of Participants, who in turn act on behalf of Indirect Participants and certain banks, the ability of a Holder of the notes to pledge such notes to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such notes, may be affected by the lack of a physical certificate for such notes.

Neither CODELCO nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations. DTC has advised CODELCO that it will take any action permitted to be taken by a holder only at the direction of one or more Participants to whose account with DTC notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction.

DTC has advised CODELCO as follows:

DTC is a limited purpose trust company organized under the laws of the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve system, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). DTC holds securities that its Participants deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Certificated Notes

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by CODELCO within 90 days, CODELCO will issue notes in registered form without coupons ("Certificated Notes") in exchange for the Global Notes which will bear the legends referred to under the heading "Transfer Restrictions", as applicable.

If CODELCO issues Certificated Notes, the holder may present its notes for exchange with notes of a different authorized denomination, together with a written request for an exchange, at the office of the Fiscal Agent in the City of New York, or at the office of any paying agent. In addition, the holder of any Certificated Note may

transfer it in whole or in part by surrendering it at any of these offices together with an executed instrument of transfer. CODELCO will not charge the holders of notes for the costs and expenses associated with the exchange, transfer or registration of transfer of the notes. CODELCO may, however, charge the holders of notes for certain delivery expenses as well as any applicable stamp duty, tax or other governmental charges. The Fiscal Agent may reject any request for an exchange or registration of transfer of any Note made within 15 days of the date for any payment of principal of or interest on the Note. CODELCO will notify the Luxembourg Stock Exchange and publish a notice in a daily newspaper in Luxembourg in the event that Certificated Notes are issued.

Consolidation, Merger, Conveyance, Sale or Lease

Nothing contained in the notes prevents CODELCO from consolidating with or merging into another corporation or conveying, transferring or leasing its properties and assets substantially as an entirety to any person, provided that (a) the corporation formed by such consolidation or into which CODELCO is merged or the person which acquires by conveyance or transfer, or which leases, the properties and assets of CODELCO substantially as an entirety is a corporation organized and existing under the laws of the Republic of Chile and expressly assumes, by supplemental agreement, executed and delivered to the Fiscal Agent, in form satisfactory to the Fiscal Agent, the due and punctual payment of the principal of and interest, if any, on the notes and the performance of every covenant of the notes on the part of CODELCO to be performed or observed; (b) immediately after giving effect to such transaction no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (c) CODELCO has delivered to the Fiscal Agent an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and supplemental agreement complies with the foregoing provisions relating to such transaction.

Limitation on Liens

Nothing contained in the notes in any way restricts or prevents CODELCO or any Restricted Subsidiary (as defined below) from incurring any indebtedness; provided that neither CODELCO nor any Restricted Subsidiary will (a) issue, assume or guarantee any indebtedness for money borrowed ("Debt") if such Debt is secured by a lien upon, or (b) directly or indirectly secure any outstanding Debt by a lien upon, any Principal Property (as defined below) or upon any shares of stock of, or indebtedness of, any Restricted Subsidiary, now owned or hereafter acquired, without effectively providing that the notes shall be secured equally and ratably with such Debt, except that the foregoing restrictions shall not apply to (i) liens on any Principal Property acquired, constructed or improved after the date of issuance of the notes to secure or provide for the payment of the purchase price or cost of construction or improvements (including costs such as increased costs due to escalation, interest during construction and similar costs) thereof incurred after the date of the issuance of the notes, or existing liens on property acquired, *provided* such liens shall not apply to any property theretofore owned by CODELCO or any Restricted Subsidiary other than theretofore unimproved real property, (ii) liens on any Principal Property or shares of stock or indebtedness acquired from a corporation merged with or into CODELCO or a Restricted Subsidiary, (iii) liens to secure Debt of a Restricted Subsidiary to CODELCO or another Subsidiary, (iv) the sale or other transfer of any interest in property of the character commonly referred to as a "production payment," (v) liens over any property at the time of acquisition of such property by CODELCO or any of its Restricted Subsidiaries which lien was not (or is not) created in connection with such acquisition, (vi) liens in existence on the date of the offering of the notes, (vii) liens on deposits to secure, or any lien otherwise securing, the performance of bids, statutory obligations, surety bonds, appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business, (viii) liens created on any property to secure Debt incurred in connection with the financing of such property, the repayment of which Debt is to be made from the revenues arising out of, or other proceeds of realization from, such property, with recourse to those revenues and proceeds and other property used in connection with, or forming the subject matter of, such property, but without recourse to any other property of CODELCO or any Restricted Subsidiary and (ix) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any lien referred to in the foregoing clauses (i) to (iii) or (v), (vi) and (viii), inclusive of any Debt secured thereby, *provided* that the principal amount of Debt so secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement lien shall be limited to all or part of the property which secured the lien extended, renewed or replaced (plus improvements on or additions to such property). Notwithstanding the foregoing, CODELCO and one or more Restricted Subsidiaries may issue, assume or guarantee Debt secured by liens which would otherwise be subject to the foregoing restrictions in an aggregate principal amount which, together with the

aggregate outstanding principal amount of all other Debt of CODELCO and its Restricted Subsidiaries which would otherwise be subject to the foregoing restrictions (not including Debt permitted to be secured under clauses (i) through (ix) above) and the aggregate value of the sale and lease-back transactions described under “—Limitation on Sale and Lease-Back Transactions” below (other than sale and lease-back transactions the proceeds of which have been applied as provided in clause (b) under “—Limitation on Sale and Lease-Back Transactions” below), does not at the time of issuance, assumption or guarantee thereof exceed 20% of Consolidated Net Tangible Assets.

“Consolidated Net Tangible Assets” is defined as the total of all assets (including reevaluations thereof as a result of commercial appraisals, price level restatement or otherwise) appearing on the consolidated balance sheet of CODELCO and its Subsidiaries prepared in accordance with Chilean GAAP as of the then most recent date filed by CODELCO with the Superintendencia de Valores y Seguros in Chile, but excluding goodwill, trade names, trademarks, patents, unamortized debt discount and all other like intangible assets (which term shall not be construed to include such reevaluations), less the aggregate of the current liabilities of CODELCO and its Subsidiaries appearing on such balance sheet. The term “Principal Property” means any mineral property, concentrator, smelter, refinery or rod mill located within the Republic of Chile, of CODELCO or any Subsidiary except any such property, plant or facility which the Board of Directors by resolution declares is not of material importance to the total business conducted by CODELCO and its Subsidiaries as an entity. The term “Subsidiary” means any corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by CODELCO and of which CODELCO has the power to direct the management. The term “Restricted Subsidiary” means (a) any Subsidiary which owns, directly or indirectly, any Principal Property and (b) any Subsidiary which owns, directly or indirectly, any stock or debt of a Restricted Subsidiary.

Limitation on Sale and Lease-Back Transactions

The notes provide that neither CODELCO nor any Restricted Subsidiary will enter into any arrangement with any person (other than CODELCO or a Restricted Subsidiary), or to which any such person is a party, providing for the leasing to CODELCO or a Restricted Subsidiary for a period of more than three years of any property or assets which has been or is to be sold or transferred by CODELCO or such Restricted Subsidiary to such person or to any person (other than CODELCO or a Restricted Subsidiary) to which funds have been or are to be advanced by such person on the security of the leased property or assets unless either (a) CODELCO or such Restricted Subsidiary would be entitled, pursuant to the provisions described under “—Limitation on Liens” above, to incur Debt in a principal amount equal to or exceeding the value of such sale and lease-back transaction, secured by a lien on the property or assets to be leased, without equally and ratably securing the notes, or (b) CODELCO, during or immediately after the expiration of six months after the effective date of such transaction (whether made by CODELCO or a Restricted Subsidiary), applies to the voluntary retirement of indebtedness of CODELCO (including the notes) maturing by its terms more than one year after the original creation thereof (“Funded Debt”) an amount equal to the value of such transaction, less an amount equal to the sum of (i) the principal amount of notes delivered, within six months after the effective date of such arrangement, to the Fiscal Agent for retirement and cancellation and (ii) the principal amount of other Funded Debt voluntarily retired by CODELCO within such six-month period, in each case excluding retirements of notes and other Funded Debt as a result of conversions or pursuant to mandatory sinking fund or mandatory prepayment provisions or by payment at maturity.

Payment of Additional Amounts

All payments under the notes by CODELCO will be made without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Chile or any political subdivision or territory or possession thereof or therein (the “Taxing Jurisdiction”) unless the withholding or deduction of such taxes or duties is required by law or regulation or by the official interpretation thereof. In that event, CODELCO will pay to each Holder of a note such additional amounts (“Additional Amounts”) as may be necessary in order that each net payment on such note after such deduction or withholding will not be less than the amount provided for in such note to be then due and payable; *provided, however,* that the foregoing obligation to pay Additional Amounts will not apply to:

- (a) any tax, assessment or other governmental charge that would not have been imposed but for (i) the existence of any present or former connection between the Holder or the beneficial owner of the note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Holder or beneficial owner, if such Holder or beneficial owner is an estate, trust partnership or corporation)

and the Taxing Jurisdiction imposing such tax, assessment or other governmental charge, other than the mere receipt of payments in respect of a note or the holding or ownership of a note or beneficial interest therein; or (ii) the presentation of a note (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

- (b) any estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment or other governmental charge which is payable other than by withholding from payments of (or in respect of) principal of, or any interest on, the notes;
- (d) any tax, assessment or other governmental charge that would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the Holder or beneficial owner of the note, if compliance is required by statute or by regulation of the Taxing Jurisdiction as a precondition to relief or exemption from the tax, assessment or other governmental charge and proper notice has been sent to the Holder or beneficial owner; or
- (e) any combination of items (a), (b), (c) and (d) above;

nor shall Additional Amounts be paid with respect to any payment of the principal of or any interest on any note to any Holder or beneficial owner that is a fiduciary or partnership or other than the sole beneficial owner of such note to the extent such payment would be required by the laws of the Taxing Jurisdiction to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had it been a Holder of such note. If CODELCO pays Additional Amounts in respect of the Chilean withholding tax on payments of interest or premium, if any, made by CODELCO in respect of the notes to a Foreign Holder (as defined in "Taxation") assessed at a rate of 4.0%, any refunds of such withholding tax will be for the account of CODELCO.

Tax Redemption

The notes may be redeemed at the election of CODELCO, as a whole, but not in part, by the giving of notice as provided in the notes, at a price equal to the outstanding principal amount thereof, together with any Additional Amounts and accrued and unpaid interest to the redemption date, if, as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the Republic of Chile or any political subdivision or taxing authority thereof or therein, or any change in the official application, administration or interpretation of such laws, regulations or rulings in such jurisdiction, CODELCO has or will become obligated to pay Additional Amounts on the notes in excess of the Additional Amounts that would be payable were payments of interest on the notes subject to 4.0% withholding ("Excess Additional Amounts"), if such change or amendment is announced or becomes effective on or after the date of original issuance of the notes and such obligation cannot be avoided by CODELCO taking reasonable measures available to it; *provided, however,* that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which CODELCO would be obligated to pay such Excess Additional Amounts, were a payment in respect of the notes then due. Prior to the giving of notice of redemption of such notes, CODELCO will deliver to the Fiscal Agent an officers' certificate and a written opinion of recognized Chilean counsel independent of CODELCO to the effect that all governmental approvals necessary for CODELCO to effect such redemption, if any, have been or at the time of redemption will be obtained and in full force and effect and that CODELCO is entitled to effect such a redemption, and setting forth in reasonable detail the circumstances giving rise to such right of redemption. See "Taxation—Chilean Taxation".

Defeasance

CODELCO may discharge its obligation to comply with the covenants specified above under "—Consolidation, Merger, Conveyance, Sale or Lease", "—Limitation on Liens" and "—Limitation on Sale and Lease-Back Transactions" by depositing funds or obligations issued by the United States in an amount sufficient to provide for the timely payment of principal, interest and all other amounts due under the notes with the Fiscal Agent,

acting as trustee for such purposes and by satisfying certain other conditions, including delivery to the Fiscal Agent of an opinion of independent tax counsel of recognized standing to the effect that U.S. Holders (as defined in “Taxation”) will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Events of Default

An Event of Default with respect to the notes is defined in the Fiscal and Paying Agency Agreement as being: default for 30 days in payment of any interest on the notes; default in payment of principal of the notes; default in the performance, or breach, of any covenant or warranty or obligation of CODELCO in the notes and continuance of such default or breach for a period of 60 days after written notice is given to CODELCO by the holders of at least 33 1/3% in aggregate principal amount of the notes; default under any bond, debenture, note or other evidence of indebtedness for money borrowed, or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by CODELCO or any Subsidiary, whether such indebtedness now exists or shall hereafter be created, in an aggregate principal amount exceeding U.S.\$50 million (or its equivalent in any other currency or currencies) which default (i) shall constitute the failure to pay any portion of the principal of such indebtedness when due and payable, whether at maturity, upon redemption or acceleration or otherwise, or (ii) shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, in either case, if such default shall continue for more than 30 Business Days and within such 30 Business Days the time for payment of such amount has not been expressly extended (provided that if such default under such indenture or instrument shall be remedied or cured by CODELCO or waived by the holders of such indebtedness, then the event of default with respect to the notes shall be deemed likewise to have been remedied, cured or waived); and certain events of bankruptcy or insolvency of CODELCO or any Significant Subsidiary. “Significant Subsidiary” is defined in the notes as a Subsidiary, the total assets of which exceed 10% of the total assets of CODELCO and its subsidiaries on a consolidated basis as of the end of the most recently completed year.

Each note will provide that if any Event of Default shall have occurred and be continuing, the holder of such note may declare the principal of such note, together with unpaid accrued interest thereon, if any, to the date of repayment, to be due and payable by notice to CODELCO.

Notices

Notices to holders of notes will be given by mail to the addresses of such holders as they appear in the Security Register and will be published in a daily newspaper in circulation in Luxembourg. Notwithstanding, any notices relating to the delisting of the notes as described under “General Information — Listing” will be published in authorized newspapers. For purposes of such notices, authorized newspapers will be *The Wall Street Journal*, the *Financial Times* and the *Luxemburger Wort*. CODELCO will be deemed to have given this notice on the date of each publication or, if published more than once, on the date of the first publication.

Amendments

The Fiscal and Paying Agency Agreement may be amended by CODELCO without the consent of the holders of the notes in certain limited circumstances therein provided. The notes may be amended by CODELCO without the consent of the holders of notes for the purpose of correcting any manifest error. The Fiscal and Paying Agency Agreement may otherwise be amended, and the rights and obligations of CODELCO and the rights of the holders of notes under the notes may be modified, with the consent of holders of more than 66 2/3% in principal amount of the notes outstanding, except that the consent of all holders of notes will be required: to change the definition of Interest Payment Date; to reduce the principal amount of or the interest rate on any Note; to change the obligation to pay Additional Amounts or the option to redeem the notes (see “—Payment of Additional Amounts”, and “—Tax Redemption”); to change the place of payment where, or the coin or currency in which, interest is payable; to impair the right of holders of notes to institute suit for the enforcement of payments of interest; to reduce the percentage amount of notes outstanding the consent of whose holders is required in order to amend the notes or the Fiscal and Paying Agency Agreement; and to modify the provisions of the notes or the Fiscal and Paying Agency Agreement governing the amendment of the notes or the Fiscal and Paying Agency Agreement.

Governing Law; Submission to Jurisdiction; Sovereign Immunity

The notes will be governed by, and will be construed and interpreted in accordance with, the law of the State of New York. The notes will provide that CODELCO will maintain at all times during the life of the notes an office or agent in the Borough of Manhattan, The City of New York, upon whom process may be served in any action arising out of or based on the notes which may be instituted in the Supreme Court of the State of New York or the United States District Court for the Southern District of New York, in either case in the Borough of Manhattan, The City of New York, by any holder of a Note, and CODELCO will expressly accept the jurisdiction of any such court.

To the extent that CODELCO may be entitled, in any jurisdiction in which judicial proceedings may at any time be commenced with respect to the notes, to claim for itself or its revenues or assets any immunity from suit, jurisdiction, attachment in aid or execution of a judgment or prior to a judgment, execution of a judgment or any other legal process with respect to its obligations under the notes, and to the extent that in any such jurisdiction there may be attributed to CODELCO such an immunity (whether or not claimed), CODELCO will irrevocably agree not to claim and will irrevocably waive such immunity to the maximum extent permitted by law.

Article 226 of the Mining Code of Chile prohibits the attachment and judicial sale of a debtor's mining concessions and installations and other goods permanently dedicated to exploration or extraction of minerals relating to those mining concessions, except with respect to mortgages. However, a debtor may consent to such attachment and sale, provided that the consent is given in the same judicial proceeding in which the attachment and sale is sought. The general waiver of immunity by CODELCO in the notes will not be effective with respect to immunity under Article 226. In addition, pursuant to the Chilean Constitution, mining concessions corresponding to mining deposits exploited by CODELCO upon its creation in 1976 cannot be subject to attachment nor to any act of disposition by CODELCO.

Further Issues of Notes

Without the consent of the holders, CODELCO may create and issue additional notes with terms and conditions that are the same (or the same except as to scheduled interest payments prior to the time of issue of the additional notes) as the terms and conditions of an outstanding series of notes, including the notes. CODELCO may consolidate the additional notes to form a single series with an outstanding series of notes, including the notes.

TAXATION

General

The following is a summary of certain Chilean tax and U.S. federal income tax considerations relating to the purchase, ownership and disposition of notes. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase notes, nor does the summary describe any tax consequences arising under the laws of any national, state, or local taxing jurisdiction other than the United States and Chile.

This summary is based on the tax laws of Chile and the United States as in effect on the date of this offering memorandum, as well as regulations, rulings and decisions of Chile and the United States available on or before such date and now in effect. All of the foregoing are subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to the Chilean, United States or other tax consequences of the purchase, ownership and disposition of the notes, including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax.

There currently is no tax treaty between the United States and Chile.

Chilean Taxation

The following is a general summary of the material consequences under Chilean tax law, as currently in effect, of an investment in the notes made by a “Foreign Holder”. Foreign Holder means either: (i) in the case of an individual, a person who is not a resident in Chile (for purposes of Chilean taxation, an individual holder is resident in Chile if he or she has resided in Chile for more than six months in one calendar year, or a total of more than six months in two consecutive years); or (ii) in the case of a legal entity, a legal entity that is not organized under the laws of Chile, unless the notes are assigned to a branch or a permanent establishment of such entity in Chile.

Under Chile’s income tax law (the “Income Tax Law”), payments of interest or premium, if any, made by CODELCO in respect of the notes to a Foreign Holder will generally be subject to a Chilean withholding tax assessed at a rate of 4.0% (the “Chilean Interest Withholding Tax”).

As described above, CODELCO has agreed, subject to specific exceptions and limitations, to pay to the holders of notes Additional Amounts in respect of the Chilean Interest Withholding Tax in order that the interest or premium, if any, the Foreign Holder receives, net of the Chilean Interest Withholding Tax, equals the amount which would have been received by such Foreign Holder in the absence of such withholding. See “Description of Notes—Payment of Additional Amounts”.

Under existing Chilean law and regulations, a Foreign Holder will not be subject to any Chilean taxes in respect of payments of principal made by CODELCO with respect to the notes.

The Income Tax Law establishes that a Foreign Holder is subject to income tax on his Chilean source income. For this purpose, Chilean source income means earnings from activities performed in Chile or from the sale or disposition of, or other transactions in connection with, assets or goods located in Chile. Therefore, any capital gains realized on the sale or other disposition by a Foreign Holder of the notes generally will not be subject to any Chilean taxes provided that such sales or other dispositions are made outside of Chile to a Foreign Holder (except that any premium payable on redemption of the notes will be treated as interest and subject to the Chilean Interest Withholding Tax, as described above).

A Foreign Holder will not be liable for estate, gift, inheritance or similar taxes with respect to its holdings unless notes held by a Foreign Holder are either located in Chile at the time of such Foreign Holder’s death, or, if the notes are not located in Chile at the time of a Foreign Holder’s death, if such notes were purchased or acquired with monies obtained from Chilean sources.

The issuance of the notes is subject to a 1.608% stamp tax, which will be payable by CODELCO.

If the stamp tax is not paid when due, Chile's Income Tax Law imposes a penalty of up to three times the amount of the tax plus interest which will also be payable by CODELCO. In addition, until such tax (and any penalty) is paid, Chilean courts would not enforce any action brought with respect to the notes.

United States Taxation

This summary of U.S. federal income tax considerations deals principally with U.S. Holders (as defined below) that will hold notes as capital assets and whose functional currency is the United States dollar. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular investor's decision to purchase notes and generally does not address the tax treatment of U.S. Holders that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities, or persons that will hold notes as part of an integrated investment (including a "straddle") consisting of the notes and one or more other positions, nor does it address the tax treatment of U.S. Holders that do not acquire notes as part of the initial distribution. As used in this section "—United States Taxation", the term "U.S. Holder" means a beneficial owner of a Note that is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income taxation on its income irrespective of its source.

Taxation of Interest and Additional Amounts. The gross amount of interest and Additional Amounts (*i.e.*, without reduction for Chilean Interest Withholding Tax at the applicable rate) will be taxable to a U.S. Holder as ordinary interest income in respect of the notes at the time it accrues or is received in accordance with the holder's method of accounting for U.S. federal income tax purposes. Chilean Interest Withholding Tax is a foreign income tax eligible (i) for credit against such U.S. Holder's U.S. federal income tax liability, subject to generally applicable limitations and conditions, or (ii) at the election of such U.S. Holder, for deduction in computing such U.S. Holder's taxable income. Interest and Additional Amounts will constitute income from sources without the United States for foreign tax credit purposes. Such income generally will constitute "passive income" or, in the case of certain U.S. Holders, "financial services income."

The calculation of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of such deduction, involves the application of rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits and the treatment of Additional Amounts.

A holder that is, with respect to the United States, a foreign corporation, estate or trust or a nonresident alien individual (a "Non-U.S. Holder") generally will not be subject to U.S. federal income or withholding tax on interest income or Additional Amounts earned in respect of notes, unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

Taxation of Dispositions. Gain or loss realized by a U.S. Holder on the sale, redemption or other disposition of notes generally will be capital gain or loss. Capital gain realized by an individual U.S. Holder with respect to property held for more than one year is generally taxed at a lower rate than ordinary income or short-term capital gain. The deduction of capital losses is subject to limitations.

A Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale or other disposition of notes unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Backup Withholding and Information Reporting

A U.S. Holder may, under certain circumstances, be subject to "backup withholding" with respect to certain payments to such U.S. Holder, unless such holder (i) is a corporation or comes within certain other exempt categories, and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number,

certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules will be creditable against the U.S. Holder's U.S. federal income tax liability. While Non-U.S. Holders generally are exempt from backup withholding, a Non-U.S. Holder may, in certain circumstances, be required to comply with certain information and identification procedures in order to prove entitlement to this exemption.

U.S. Treasury Regulations may affect the procedures to be followed by a Non-U.S. Holder in establishing such holder's foreign status for purposes of the backup withholding and information reporting rules. Prospective investors should consult their own tax advisors concerning these regulations.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in the Purchase Agreement dated October 21, 2004, Citigroup Global Markets Inc., HSBC Securities (USA) Inc., Mitsubishi Securities International plc and RBC Capital Markets Corporation (the “Initial Purchasers”) have severally agreed to purchase, and CODELCO has agreed to sell to them, severally, the respective principal amount of notes set forth opposite their names below:

<u>Name</u>	<u>Principal Amount of notes</u>
Citigroup Global Markets Inc.	\$250,000,000
HSBC Securities (USA) Inc.	200,000,000
Mitsubishi Securities International plc	25,000,000
RBC Capital Markets Corporation	25,000,000
Total	<u>\$500,000,000</u>

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the notes are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Initial Purchasers are committed to take and pay for all of the notes offered hereby if any are taken.

The Purchase Agreement provides that CODELCO will indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act.

The notes will constitute a new class of securities with no established trading market. CODELCO does not intend to list the notes on any exchange other than the Luxembourg Stock Exchange. The Initial Purchasers have advised CODELCO that they currently intend to make a market in the notes. However, they are not obligated to do so and any market-making activities with respect to the notes may be discontinued at any time without notice. Accordingly, CODELCO cannot give any assurance as to the liquidity of, or the trading market for, the notes.

In connection with this offering, on behalf of the Initial Purchasers, Citigroup, or any person acting for it, may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation for Citigroup, or any person acting for it, to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

CODELCO has been advised by the Initial Purchasers that the Initial Purchasers propose to resell the notes initially at the price set forth on the cover page hereof (a) within the United States to QIBs in reliance on Rule 144A under the Securities Act and (b) outside the United States to certain persons in reliance on Regulation S under the Securities Act. See “Transfer Restrictions”. After the initial offering, the offering price and other selling terms of the notes may from time to time be varied by the Initial Purchasers.

The notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as described in the immediately preceding paragraph. For a description of certain restrictions on resale or transfer, see “Transfer Restrictions”.

In connection with sales outside the United States, the Initial Purchasers have agreed that except for sales described in the second preceding paragraph, they will not offer, sell or deliver the notes to, or for the account of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and they will send to each dealer to whom they sell such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described below under “Transfer Restrictions”.

In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another valid exemption therefrom.

As used herein, the terms "United States" and "U.S. person" have the meaning given to them in Regulation S under the Securities Act.

We expect to deliver the notes on or about October 28, 2004. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle within three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if you wish to trade notes on any day prior to the third business day before the date of delivery of the notes you and your counterparty will be required, by virtue of the fact that the notes initially will settle on a delayed basis, to agree to a delayed settlement cycle at the time of any such trade to prevent a failed settlement.

Each Initial Purchaser has represented, warranted and agreed that:

- it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business, or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to CODELCO; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No notes with a denomination of less than €50,000 (or its foreign currency equivalent) may be offered or sold, directly or indirectly, in The Netherlands other than to persons who trade or invest in securities in the conduct of a profession or business (which includes banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions or exceptions to the prohibition contained in Article 3 of the Dutch Securities Transactions Supervision Act 1995 ("Wet toezicht effectenverkeer 1995") is applicable and the conditions attached to such exemption or exception are complied with.

We have not authorized any offer of the notes to the public in Belgium. The offering is exclusively conducted under applicable private placement exemptions and, therefore, it has not been notified to, and the offering memorandum or any other offering material relating to the notes has not been approved by, the Belgium Banking and Finance Commission (*Commission Bancaire et Financière-en Financiewezen*). Accordingly, the offering may not be advertised and no offers, sales, resales, transfers or deliveries of the notes or any distributions of the offering memorandum or any other offering material relating to the notes may be made directly or indirectly, to any individual or legal entity in Belgium other than: (i) investors required to invest a minimum of €250,000 (per investor and per transaction); (ii) institutional investors as defined in Article 3, 2, of Belgian Royal Decree of 7 July 1999 on the public character of financial transactions, acting for their own account; and (iii) persons for which the acquisition of the notes subject to the offering is necessary to enable them to exercise their professional activity.

The notes may not be offered or sold to the public in France and neither this offering memorandum, which has not been and will not be submitted to the clearance of the French authorities, or any other offering material or information contained therein relating to the notes, may be released, issued, or distributed or caused to be released,

issued, or distributed, directly or indirectly, to the public in France, or used in connection with any offer for subscription or sale of the notes to the public in France. Any such offers, sales and distributions may be made in France only to (1) qualified investors (*investisseurs qualifiés*) and/or (2) a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in Article L. 411-2 of the *Code monétaire et financier* and décret no. 98-880 dated October 1, 1998. The notes may be resold only in compliance with Articles L. 411-1Scq, L. 412-1 and L. 621-8 of the *Code monétaire et financier*.

The offering of the notes is not a public offering in the Federal Republic of Germany. The notes may only be acquired in accordance with the provisions of the Securities Sales Prospectus Act (*Wertpapierverkaufsprospektgesetz*), as amended, and any other applicable German laws. The notes are not admitted to trading on a German stock exchange. This offering memorandum is not a sales offering memorandum that has been published with regard to the public offering of the notes in Germany. Accordingly the notes may not be, and are not being, offered or advertised publicly or by public promotion in Germany and this offering memorandum has not and will not be submitted for approval to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). Therefore, the offer in this offering memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. Neither this offering memorandum, nor any other document issued in connection with this offering, may be issued or distributed to any person in Germany except under circumstances which do not constitute an offer to the public pursuant to the Securities Sales Prospectus Act. In Germany the notes will only be available to persons who, by profession or business, buy or sell notes for their own or a third-party's account within the meaning of Section 2 No.1 of the Securities Sales Prospectus Act.

The offering of the notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, the notes will not be offered, sold or delivered or copies of this offering memorandum or any other document relating to the notes distributed in the Republic of Italy except (i) to professional investors (*operatori qualificati*) as defined in Article 31, second paragraph of CONSOB Regulation No.11522 of 1 July, 1998, in compliance with the terms and procedures therein; or (ii) in circumstances which are exempted from the rules of solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998 (the "Financial Services Act") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May, 1999.

Any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes in the Republic of Italy under (i) or (ii) above must be (1) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September, 1993; and (2) in compliance with Article 129 of Legislative Decree No. 385 of 1 September, 1993 and the implementing guidelines of the Bank of Italy, pursuant to which the offer or sale of securities in the Republic of Italy may need to be notified to the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics.

The notes will not be offered to the public in or from Luxembourg unless the requirements of Luxembourg law relating to the public offering of securities have been complied with.

The notes may not be offered or sold by means of any document other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

The notes have not been, and will not be, registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale directly or indirectly, in

Japan or to any resident of Japan, except: (i) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, of the notes whether directly or indirectly, to persons in Singapore other than under circumstances in which such offer, sale or invitation does not constitute an offer or sale, or invitation for subscription or purchase, of the notes to the public or any member of the public in Singapore.

The Initial Purchasers or their affiliates may from time to time provide investment banking and general financing and banking services to CODELCO. In addition, the Initial Purchasers and certain of their affiliates are lenders to CODELCO.

TRANSFER RESTRICTIONS

The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except that notes may be offered or sold to (i) QIBs in reliance upon the exemption from the registration requirement of the Securities Act provided by Rule 144A and (ii) persons other than U.S. persons as such term is defined in Regulation S under the Securities Act (“Foreign Purchasers”) in offshore transactions in reliance upon Regulation S.

Each purchaser of the notes that is not a Foreign Purchaser will be deemed to:

- (1) represent that it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a QIB and is aware that the sale to it is being made in reliance on Rule 144A;
- (2) acknowledge that the notes have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) agree that if it should resell or otherwise transfer the securities, it will do so only pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction;
- (4) agree that it will deliver to each person to whom it transfers notes notice of any restrictions on transfer of such notes; and
- (5) acknowledge that CODELCO, the Fiscal Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Each 144A Global Note will bear the following legend:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR ANY STATE SECURITIES LAW. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “**QUALIFIED INSTITUTIONAL BUYER**” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”)) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT OR (B) IT IS A NON-U.S. PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2)(i) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT, PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THE NOTES EVIDENCED HEREBY UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER SUCH NOTES EXCEPT IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND ONLY (A) TO THE ISSUER OR A SUBSIDIARY THEREOF, (B) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (C) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A

QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF APPLICABLE). PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (E) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS NOTE IS SUBJECT TO THE RESTRICTIONS ON TRANSFER SET FORTH IN THE FISCAL AND PAYING AGENCY AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

Each purchaser of notes that is a Foreign Purchaser will be deemed to:

- (1) represent that it is purchasing the notes for its own account or an account for which it exercises sole investment discretion and that it and any such account is a Foreign Purchaser that is outside the United States and acknowledge that the notes have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (2) agree that if it should resell or otherwise transfer the notes prior to the expiration of a restricted period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the notes), it will do so only (a)(i) outside the United States in compliance with Rule 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A, and (b) in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction.

Each Regulation S Global Note will bear the following legend:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AGENCY IN ANY JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS SECURITY IS SUBJECT TO THE RESTRICTIONS ON TRANSFER SET FORTH IN THE FISCAL AND PAYING AGENCY AGREEMENT REFERRED TO ON THE REVERSE HEREOF. PRIOR TO THE EXPIRATION OF A RESTRICTED PERIOD ENDING ON DECEMBER 7, 2004 OR SUCH LATER DATE AS THE COMPANY MAY NOTIFY TO THE FISCAL AGENT, THIS SECURITY, OR ANY BENEFICIAL INTEREST HEREIN, MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED EXCEPT (A)(1) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT OR (2) TO A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT IN COMPLIANCE WITH RULE 144A, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.

The transfer or exchange of a beneficial interest in a Regulation S Global Note for a beneficial interest in a 144A Global Note during the restricted period may be made only upon receipt by the Fiscal Agent of a duly completed Rule 144A Certificate, as defined in the Fiscal and Paying Agency Agreement. Such Rule 144A Certificate will no longer be required after the expiration of the restricted period. The transfer or exchange of a beneficial interest in a 144A Global Note for a beneficial interest in a Regulation S Global Note may be made only

upon receipt by the Fiscal Agent of a duly completed Regulation S Certificate, as defined in the Fiscal and Paying Agency Agreement.

For so long as the notes are listed on the Luxembourg Stock Exchange, if the notes are ever issued in certificated form:

- Certificated Notes will be delivered by the fiscal agent as described in this offering memorandum and at the offices of the Luxembourg paying agent;
- holders of Notes in certificated form will be able to transfer or exchange their Notes at the offices of the Luxembourg transfer agent; and
- Certificated Notes may be presented and surrendered at the offices of the Luxembourg paying agent for payments of interest and/or principal.

Any resale or other transfer, or attempted resale of other transfer, made other than in compliance with the above stated restrictions shall not be recognized by us.

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfers of interests in Global Notes, see “Description of Notes—Global Notes; Book-Entry Form.”

We have prepared this offering memorandum solely for use in connection with the offer and sale of the notes outside the United States, for the private placement of the notes in the United States and for the listing of the notes on the Luxembourg Stock Exchange. We and the Initial Purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of notes offered pursuant to Rule 144A under the Securities Act. This offering memorandum does not constitute an offer to any person in the United States other than any QIB under the Securities Act to whom an offer has been made directly by the Initial Purchasers or an affiliate of the initial purchasers.

Each purchaser of notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells notes or possesses or distributes this offering memorandum or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or resales, and neither the company nor the Initial Purchasers shall have any responsibility therefor.

VALIDITY OF THE NOTES

The validity of the notes will be passed upon for CODELCO by Cleary, Gottlieb, Steen & Hamilton, New York, New York, United States counsel for CODELCO, and by Carey & Cía. Ltda., Chilean Counsel to CODELCO, and for the Initial Purchasers by Davis Polk & Wardwell, United States counsel for the Initial Purchasers, and by Philippi, Yrarrázaval, Pulido & Brunner Ltda., Chilean counsel for the Initial Purchasers. Cleary, Gottlieb, Steen & Hamilton may rely without independent investigation as to all matters of Chilean law on Carey & Cía. Ltda., and Davis Polk & Wardwell may rely without independent investigation as to all matters of Chilean law on Philippi, Yrarrázaval, Pulido & Brunner Ltda.

INDEPENDENT AUDITORS

In 2003, CODELCO changed its independent auditors from Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada to Deloitte and Touche, Sociedad de Auditores y Consultores Ltda. Such change was not the consequence of any disagreement between CODELCO and the previous independent auditors.

The Consolidated Financial Statements as of December 31, 2002 and for each of the two years ended December 31, 2001 and 2002 appearing in this offering memorandum have been audited by Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada (“Ernst & Young Ltda.”), independent auditors and a member firm of Ernst & Young Global, as set forth in their report thereon appearing elsewhere herein.

The consolidated financial statements of CODELCO as of and for the year ended December 31, 2003 except subsidiaries Codelco Kupferhandel GMBH and subsidiary and Chile Copper Ltd. and subsidiary and equity-method investees Inversiones Tocopilla Limitada, Electroandina S.A. and subsidiaries, Inversiones Mejillones S.A., SCM El Abra, and Alliance Copper Ltd., included in this Offering Memorandum, have been audited by Deloitte and Touche, Sociedad de Auditores y Consultores Ltda., (“Deloitte”) independent auditors as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the convenience translation of the financial statements into English). The financial statements of the subsidiaries Codelco Kupferhandel GMBH and subsidiary and Chile Copper Ltd. and subsidiary as of and for the year ended December 31, 2003 (neither of which are presented separately herein) have been audited by Ernst & Young AG (Germany) and Ernst & Young LLP (United Kingdom), respectively, independent auditors and member firms of Ernst & Young Global, as set forth in their reports thereon not presented separately herein. The financial statements as of and for the year ended December 31, 2003 of the equity-method investees (none of which are presented separately herein), Inversiones Tocopilla Limitada, Electroandina S.A. and subsidiaries, Inversiones Mejillones S.A., and SCM El Abra, have been audited by Ernst & Young Ltda., independent auditors and a member firm of Ernst & Young Global and Alliance Copper Ltd. has been audited by KPMG Channel Island Limited, independent auditors, as set forth in their respective reports thereon, not presented separately herein. All of the foregoing firms are independent auditors.

GLOSSARY OF CERTAIN MINING TERMS

Andesite: A fine-grained volcanic rock, usually dark grey in color, with an average composition of 50-60% sulphur dioxide).

Anode Copper: Blister copper that has undergone further refinement to remove impurities. In an anode furnace, the blister copper is blown with air and a hydrocarbon redundant to upgrade its purity to approximately 99.5% copper. It is then cast into keystone-shaped slabs that are shipped to an electrolytic refinery.

Blister Copper: Copper that has been cast after passing through a converter. Blister copper is approximately 99.0% copper and takes its name from the “blisters” that form on the surface during cooling.

Breccia: A rock conglomerate made up of highly angular coarse fragments.

Calcopyrite: A combination of copper and iron sulfide with a metallic yellow-gold color, containing 34.7% copper, 30% iron and 26% sulfur.

Cathode: Copper produced by an electrochemical refining process that has been melted and cast into cakes, billets, wire bars or rods usually weighing approximately 90kg.

Concentration: The process by which crushed and ground ore is separated into metal concentrates and reject material through processes such as flotation. Concentrates are shipped to a smelter for further processing.

Concentrator: A plant where concentration takes place.

Converter: A plant that conducts a principal phase of the smelting process, blowing oxygen-enriched air through, molten metal, causing oxidation and the removal of sulfur and other impurities. In the case of copper, the product of this process is blister copper.

Copper Concentrate: A product of the concentrator usually containing 25% to 30% copper. It is the raw feed material for smelting.

Copper Grade: The concentration of copper in a given volume of rock, usually expressed as a percentage.

Crushing and Grinding: The processes by which ore is broken into small pieces to prepare it for further processing.

Dacite: A fine-grained volcanic rock similar in composition to andesite but containing a greater abundance of quartz crystals that are frequently visible to the naked eye.

Development: Activities related to the building of infrastructure and the stripping and opening of mineral deposits, commencing when economically recoverable reserves can reasonably be estimated to exist and generally continuing until commercial production begins.

Diorite: A dark, coarsely crystalline igneous rock, similar in composition to granite that is composed principally of silica, alumina, calcium and iron.

Electrolytic Refining: Electrochemical refining of copper anodes. Copper anodes are placed between layers of refined copper sheets in a tank through which an acid copper sulfate solution is circulated. A low voltage current is introduced, causing the transfer of copper from the anodes to the pure copper sheets, and producing 99.98% copper cathodes. Impurities, often containing precious metals, settle to the bottom of the tank.

Electrowinning: The process of directly recovering copper from solution by the action of electric currents.

Exploration: Activities associated with ascertaining the existence, location, extent or quality of a mineral deposit.

Fine Copper: 99.99% pure copper obtained through metallurgical processes.

Flotation: A process of copper concentrate production in which mineral particles attach themselves to the bubbles in an oily froth and rise to the surface, where they are skimmed off. This process is used primarily for the concentration of sulfide ores.

Flux: A high grade silica, which reacts with iron oxides formed during smelting and converting stages to create a molten slag.

Grade A Copper: Electrolytic copper, in the form of cathodes, that (i) is at least 99.99% pure, (ii) meets the LME's highest standards for copper quality, and (iii) is named in the LME-approved list of brands of Grade A copper.

Identified Reserves: Proven and probable reserves, as well as inferred reserves.

Indicated Resources: Resources about which CODELCO's knowledge is substantial but less extensive than its knowledge of Measured Resources.

Inferred Resources: Resources about which CODELCO's knowledge is only indirect.

Intrusion: A geologic processes in which magmatic material flows to the earth's surface through pre-existing rocks.

Leached Capping: An abundant mass of iron oxide concentrated in the upper zones of a porphyry copper deposit.

Leaching: The process of extracting a soluble metallic compound from an ore by selectively dissolving it in a suitable solvent.

Matte: A high density liquid that is produced during the concentrate fusion stage of the pyro-metallurgical process.

Matte Sulfide: A high density liquid containing copper and iron sulfides that is produced of the concentrate fusion stage of the pyro-metallurgical process.

Measured Resources: Resources about which CODELCO's knowledge is both extensive and direct.

Mill: A machine used to grind ore to the consistency of powder or (in wet grinding) slurry.

Milling: A treatment process in which ore is ground into a fine powder.

Mine: Mines are the source of mineral-bearing material found near the surface or deep in the ground.

Mineral Deposit or Mineralized Material: A mineralized underground body that has been probed by a sufficient number of closely-spaced drill holes and/or underground sampling measurements to support an estimate of sufficient tonnage and ore grade to warrant further exploration or development. Mineral deposits or mineralized materials do not qualify as commercially minable ore reserves (*i.e.*, probable reserves or proven reserves), as prescribed under standards of the U.S. Bureau of Mines Circular No. 831 of 1980, until a final and comprehensive economic, technical, and legal feasibility study based upon the test results has been concluded.

Mineralization: A deposit of rock containing one or more minerals for which the economics of recovery have not yet been established.

Molybdenum: a metallic element, grayish in color, that resembles chromium and tungsten in many properties, and is used especially in strengthening and hardening steel.

Ore: A mineral or aggregate of minerals from which metal can be economically mined or extracted.

Ore Grade: The average amount of metal expressed as a percentage or in ounces per ton.

Ore Deposit: Category including all Resources and Reserves.

Ounces: Unit of weight. A troy ounce equals 31,103 grams or 1.097 avoirdupois ounces.

Outokumpu Flash Furnace: Pyro-metallurgical technology used to smelt copper concentrate.

Overburden: The alluvium and rock that must be removed in order to expose an ore deposit.

Oxide Ore: Metalliferous minerals altered by weathering, surface waters, and their conversion, partly or wholly, into oxides, carbonates, or sulfates.

Pierce Smith Converter: Horizontal furnace to remove impurities from white metal by oxidation.

Porphyry: Rock with siliceous minerals and fine-medium grained size.

Porphyry-type Ore Body: Deposit of porphyric rocks with economic mineralization.

Probable Reserves: Reserves about which CODELCO's knowledge is substantial but less extensive than its knowledge of Proven Reserves.

Proven Reserves: Reserves about which CODELCO's knowledge is both extensive and direct. Quantities of Proven Reserves are computed from dimensions revealed in outcrops, trenches, workings or drill holes, and grade and quality are computed from the results of detailed sampling. Sites for inspection, sampling and measurement of Proven Reserves are spaced so closely together, and the geologic character of the ore is so well defined, that its size, shape, depth and mineral content are well established.

Reclamation: The process of restoring mined land to a condition established by applicable law. Reclamation standards vary widely, but usually address issues of ground and surface water, topsoil, final slope gradients, overburden and revegetation.

Refining: The purification of crude metallic substances.

Reserves: Ore deposits for which CODELCO has established a business development plan.

Resources: Ore deposits for which CODELCO has not yet established a business development plan.

Reverberatory Furnace: A furnace with a shallow hearth and a ceiling that reflects flames toward the hearth or radiates heat toward the surface of the charge.

Rod Mill: A large rotating cylinder in which metal rods are used for grinding ore.

Smelting: A pyro-metallurgical process in which metal is separated by fusion from those impurities with which it may be chemically combined or physically mixed.

Solvent Extraction: A method of separating one or more substances from a chemical solution by treatment with a suitable organic solvent.

Subvertical: Amount of waste material removed during mining per ton of ore extracted in a near-vertical spatial orientation.

Sulfide Ore: Ore characterized by the inclusion of metal in the crystal structure of a sulfide mineral.

Tabular: Having a near-rectangular geometric configuration close to a rectangular shape.

Tailings: Finely ground rock from which valuable minerals have been extracted by concentration.

Teniente Converter: A horizontal rotary furnace into which matte, concentrates and flux are placed, and through which oxygen-rich air is blown to provide sufficient heat to smelt the concentrates. Off-gases are captured and transported to the acid plant.

Teniente Modified Converter: An advanced pyro-metallurgical technology used to smelt copper concentrate.

Ton: A unit of weight. One metric ton equals 2,204.6 pounds. One short ton equals 2,000 pounds. Unless otherwise specified in this document, “tons” refers to metric tons.

Tourmaline: A dark-green hydrosilicate that exist in altered rock zones in some ore deposits.

GENERAL INFORMATION

Authorization

The Ministry of Finance of Chile authorized the issuance of the notes by Resolution No. 57 dated July 29, 2004. CODELCO's Board of Directors authorized the issuance of the notes in a session on August 30, 2004. CODELCO has obtained all other consents and authorizations necessary under Chilean law for the issuance of the notes.

Litigation

CODELCO is not involved in any litigation or arbitration proceeding which is material in the context of the issuance of the notes. CODELCO is not aware of any material litigation or arbitration proceeding that is pending or threatened.

Clearing

CODELCO has applied to have the notes accepted into DTC's book-entry settlement system. The notes have been accepted for clearance through the clearing systems of Euroclear System and Clearstream Banking, *société anonyme*. The securities codes are:

	<u>CUSIP</u>	<u>ISIN Number</u>	<u>Common Code</u>
Rule 144A Global Note.....	21987BAJ7	US21987BAJ70	N/A
Regulation S Global Note.....	P3143NAF1	USP3143NAF17	020453753

Listing

CODELCO has applied to list the notes on the Luxembourg Stock Exchange, in accordance with its rules and regulations. According to Chapter VI, Article 3, point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange, the notes shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be cancelled.

As long as the notes are listed on the Luxembourg Stock Exchange, you may receive free of charge copies of the following documents at the offices of the listing agent or the Luxembourg paying and transfer agents on any business day:

- this offering memorandum;
- the fiscal agency agreement attaching the forms of the notes;
- CODELCO's Interim Consolidated Financial Statements;
- CODELCO's statutory documents;
- English translations of the Official Letter; and
- the most recent annual report of CODELCO

The notes have been issued in registered, book-entry form through the facilities of DTC, and will be issued in certificated form only under the limited circumstances described in this offering memorandum.

The legal notice and statutes of CODELCO will be deposited with the Registre de Commerce et des Sociétés à Luxembourg (the Luxembourg Trade and Companies Register) where copies of these documents will be available.

CODELCO has initially appointed J.P. Morgan Bank Luxembourg S.A. to serve as its Luxembourg paying agent and transfer agent. You can contact the listing agent and the Luxembourg paying agent and transfer agent at the addresses listed on the inside back cover of this offering memorandum. CODELCO will maintain a paying agent and transfer agent so long as the notes are listed on the Luxembourg Stock Exchange. Any change in the Luxembourg paying or transfer agent will be communicated to the Luxembourg Stock Exchange and through publication in a daily newspaper in Luxembourg.

CODELCO has applied to list the notes on the Luxembourg Stock Exchange in accordance with its rules and regulations. The application is still pending and the notes are not yet listed. The Directive of the European Parliament and the Council (2003/0045 (COD) the “Transparency Directive”) regarding the harmonization of transparency requirements relating to financial information of issuers whose securities are admitted to trading on a regulated market in the European Union, such as the Luxembourg Stock Exchange, is now required to be implemented by the EU member states. If the Transparency Directive (and/or any other European or national legislation) is adopted and is implemented or takes effect in Luxembourg in a manner that would require us to publish or produce financial statements according to accounting principles or standards that are different from Chilean GAAP, or that would otherwise impose requirements on us that we, in our discretion determine are impracticable or unduly burdensome, we may de-list the notes. In these circumstances, there can be no assurance that we would obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union. For information regarding the notice requirements associated with any delisting decision, see “Description of Notes—Notices.”

As a state-owned company created pursuant to Decree Law 1.350, CODELCO has no issued capital and no classes of equity securities outstanding.

Financial Statements

There has been no material adverse change in CODELCO’s financial condition since the date of the last audited financial statements.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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US\$ - United States dollars	
ThUS\$ - Thousands of United States dollars	
UF - The UF is a Chilean inflation-indexed, peso-denominated monetary unit that is set daily in advance based on the previous month's inflation	
Ch\$ - Chilean pesos	
ThCh\$ - Thousands of Chilean pesos	



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Chairman and Members of the Board of Directors
of Corporación Nacional del Cobre de Chile

1. We have reviewed the accompanying interim consolidated balances sheets of Corporación Nacional del Cobre de Chile ("the Company") and subsidiaries as of June 30, 2003 and 2004, and the related interim consolidated statements of income and cash flows for the six-month periods then ended. These interim financial statements (including the related notes) are the responsibility of the management of Corporación Nacional del Cobre de Chile. We have not reviewed the June 30, 2003 and 2004 interim financial statements of certain investees and subsidiaries. Those interim financial statements were reviewed by other accountants, whose review reports have been furnished to us and our review report, insofar as it relates to the amounts included for such investees and subsidiaries, is based solely on the review reports of such other accountants. At June 30, 2003 and 2004, the direct and indirect investment of the Company in such investees and the total assets reflected by the interim financial statements of such subsidiaries represent 4.5% and 6.5% respectively of the total consolidated assets, and the net equity in earnings of these investees in 2003 and 2004, and the total sales reflected by the interim financial statements of these subsidiaries in those periods represent 11.1% and 8.8% respectively of the total consolidated sales.
2. We conducted our reviews in accordance with auditing standards established in Chile for a review of interim financial information. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, these financial statements have not been audited; therefore we do not express such an opinion.
3. Based on our review and the reports of other accountants, we are not aware of any material modifications that should be made to the interim consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in Chile.
4. The accompanying financial statements have been translated into English for the convenience of readers outside of Chile.

July 30, 2004

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND 2004
 (In thousands of U.S. dollars -ThUS\$)

ASSETS	2003 ThUS\$	2004 ThUS\$
CURRENT:		
Cash	16,006	19,723
Time deposits	40,031	265,750
Marketable securities	1	304
Trade receivables, net	253,736	546,767
Notes receivable	2,647	125
Other receivables, net	96,873	97,470
Due from related companies	1,292	4,902
Inventories, net	596,795	788,267
Income taxes recoverable	269,629	73,335
Prepaid expenses	9,008	15,609
Deferred taxes	32,307	43,994
Other current assets	4,136	2,065
 Total current assets	 1,322,461	 1,858,311
PROPERTY, PLANT AND EQUIPMENT:		
Land	29,522	30,425
Buildings and infrastructure	5,979,460	6,242,055
Machinery and equipment	5,332,972	5,570,842
Other plant and equipment	356	49,502
Technical appraisal revaluation	383,247	383,105
Less: accumulated depreciation	(6,746,269)	(6,957,328)
 Net property, plant and equipment	 4,979,288	 5,318,601
OTHER ASSETS:		
Investments in related companies	284,923	490,285
Investments in other companies	3,250	3,368
Long-term receivables	92,811	130,814
Due from related companies	81,249	82,013
Intangibles	3,318	11,706
Accumulated amortization	(1,100)	(62)
Other assets	257,045	347,652
 Total other assets	 721,496	 1,065,776
TOTAL ASSETS	7,023,245	8,242,688

The accompanying notes are an integral part of these interim consolidated financial statements

LIABILITIES AND EQUITY	2003 ThUS\$	2004 ThUS\$
CURRENT LIABILITIES:		
Banks and financial institutions:		
Current	590,578	196,247
Current portion of long-term debt	201,244	203,043
Current portion of bonds payable	8,240	15,343
Accounts payable	199,830	371,903
Notes payable	24	975
Other payables	13,389	55,775
Due to related companies	19,692	44,602
Accruals	153,134	208,448
Withholdings	46,180	70,100
Income taxes payable	174	253
Deferred income	4,901	5,320
Other current liabilities	1,798	662
 Total current liabilities	 1,239,184	 1,172,671
LONG- TERM LIABILITIES:		
Due to banks and financial institutions	500,000	900,000
Bonds payable	904,810	1,422,098
Long-term notes payable	65,582	92,375
Miscellaneous payables	209	46,211
Accruals	548,908	684,468
Deferred taxes	984,179	1,043,376
Other long-term liabilities	3,098	5,811
 Total long-term liabilities	 3,006,786	 4,194,339
MINORITY INTEREST	769	1,866
EQUITY:		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,262,974	1,311,175
Profits distribution to the Chilean Treasury	(44,724)	(483,358)
Net income for the period	33,833	521,572
 Total equity	 2,776,506	 2,873,812
TOTAL LIABILITIES AND EQUITY	7,023,245	8,242,688

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2004
(In thousands of U.S. dollars -ThUSS)

	2003 ThUSS	2004 ThUSS
SALES	1,668,267	3,905,961
COST OF SALES	<u>(1,291,865)</u>	<u>(2,211,241)</u>
 GROSS PROFIT	 376,402	 1,694,720
ADMINISTRATIVE AND SELLING EXPENSES	<u>(92,825)</u>	<u>(90,131)</u>
 OPERATING INCOME	 <u>283,577</u>	 <u>1,604,589</u>
 NON-OPERATING INCOME (EXPENSES):		
Interest income	3,645	4,521
Equity in income of related companies	10,346	54,406
Other income	42,383	123,357
Interest expense	(49,306)	(69,859)
Equity in losses of related companies	(9,789)	(10,168)
Other expense	(185,629)	(462,436)
Price-level restatement	488	(50)
Foreign exchange differences	<u>(7,095)</u>	<u>20,019</u>
 NON - OPERATING EXPENSES, NET	 <u>(194,957)</u>	 <u>(340,210)</u>
 INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	 88,620	 1,264,379
 INCOME TAXES	 <u>(55,093)</u>	 <u>(742,861)</u>
 INCOME BEFORE MINORITY INTEREST	 33,527	 521,518
 MINORITY INTEREST	 <u>306</u>	 <u>54</u>
 NET INCOME FOR THE PERIOD	 <u>33,833</u>	 <u>521,572</u>

The accompanying notes are an integral part of these interim consolidated financial statements

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2004
(In thousands of U.S. dollars -ThUS\$)

	2003 ThUSS	2004 ThUSS
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	33,833	521,572
Gain on sale of assets	(685)	(75,825)
Charges (credits) to income which do not represent cash flows:		
Depreciation	186,320	194,883
Amortization	41,766	56,646
Write-offs and accruals	171,622	191,252
Equity in income of related companies	(10,346)	(54,406)
Equity in losses of related companies	9,789	10,168
Price-level restatement	(488)	50
Foreign exchange differences	7,095	(20,019)
Other credits to income which do not represent cash flows	(22,489)	(25,177)
Minority interest	(306)	(54)
(Increase) decrease in assets which affect operating cash flows:		
Trade receivables	(28,515)	(192,645)
Inventories	(102,21 6)	90,841
Other assets	(67,682)	320,489
Increase (decrease) in liabilities which affect operating cash flows:		
Accounts payable	(2,521)	20,001
Interest payable	(490)	6,060
Income tax payable	(192)	(100)
Value added tax and other similar taxes payable	<u>(38,399)</u>	<u>12,730</u>
Net cash provided by operating activities	<u>176,096</u>	<u>1,056,466</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans obtained	480,600	340,000
Other financing sources	5,182	
Profits distribution to the Chilean Treasury		(402,782)
Loan repayment	(280,00 0)	(411,100)
Net cash provided by (used in) financing activities	<u>205,782</u>	<u>(473,882)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of fixed assets		76,936
Proceeds from sale of other investments	3,728	7,203
Other investment income	23,840	34,906
Purchases of property, plant and equipment	(447,04 2)	(433,464)
Investment in related companies	(17,495)	(10,242)
Investments in financial instruments	(1,764)	
Other investment disbursements	<u>(40,686)</u>	<u>(31,990)</u>
Net cash used in investing activities	<u>(479,41 9)</u>	<u>(356,651)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(97,541)</u>	<u>225,933</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>153,579</u>	<u>59,844</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>56,038</u>	<u>285,777</u>

The accompanying notes are an integral part of these interim consolidated financial statements

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (In thousands of U.S. dollars – ThUSS\$)

1. DESCRIPTION OF BUSINESS

Corporación Nacional del Cobre de Chile, Codelco - Chile (“Codelco”, or the “Company”) is registered under the Securities Registry No. 785 of the Superintendency of Securities and Insurance (“Superintendency”). The Company is subject to the regulation of the Superintendency.

The Company was formed as stipulated by Law Decree (D.L.) N°1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a legal entity in itself and with its own equity. Codelco currently carries out its mining business through its Codelco Norte, Salvador, Andina, El Teniente and until May 31, 2004, Talleres Divisions. The Company also carries out similar activities in other mining deposits in association with third parties.

Codelco’s financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

The Company’s tax regime is established in D.L. Nos. 1,350 and 2,398.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting periods - These consolidated financial statements cover the interim periods from January 1 to June 30, 2003 and 2004, respectively.

b. Basis of preparation - The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles issued by the Chilean Association of Accountants, and regulations of the Superintendency.

Should there be any discrepancy between the above mentioned principles and regulations, the regulations of the Superintendency will prevail over accounting principles generally accepted in Chile.

c. Reporting currency - In accordance with Article 26 of D.L. N°1,350, the Company’s records are maintained in United States dollars.

d. Basis of consolidation - In accordance with the regulations of the Superintendency and Technical Bulletins issued by the Chilean Association of Accountants. The interim consolidated financial statements of the Company and its subsidiaries include the assets, liabilities, results of operations, and cash flows of the Company and its following subsidiaries:

Entity	Equity investment			
	06/30/2003	06/30/2004	Direct	Indirect
	Total %	%	%	Total %
Chile Copper Limited - England	100.0000	99.9900	0.0100	100.0000
Codelco Group USA Inc. - United States	100.0000	99.9900	0.0100	100.0000
Codelco International Limited - Bermuda	100.0000	99.9900	0.0100	100.0000
Codelco K��pferhandel GMHB - Germany	100.0000	99.9900	0.0100	100.0000
Codelco Services Limited - England	100.0000	0.0000	100.0000	100.0000
Metall Agentur GMBH - Germany	100.0000	0.0000	100.0000	100.0000
Codelco Metals Inc. - United States	100.0000	0.0000	100.0000	100.0000
Codelco Technologies Ltd. - Bermuda	100.0000	0.0000	100.0000	100.0000
Codelco Do Brasil Mineracao S.A. - Brazil	100.0000	0.0000	100.0000	100.0000
Taraguaca S.A. - Brazil	51.0000	0.0000	0.0000	0.0000
Compa��a Minera Picacho SCM	100.0000	99.9900	0.0100	100.0000
Compa��a Contractual Minera Los Andes	100.0000	99.9700	0.0300	100.0000
Isapre Chuquicamata Limitada	98.3000	98.3000	0.0000	98.3000
Elaboradora de Cobre Chilena Limitada	100.0000	99.0000	1.0000	100.0000
Asociaci��n Garantizadora de Pensiones	96.6900	96.6900	0.0000	96.6900
Isapre San Lorenzo Limitada	99.9500	99.9500	0.0000	99.9500
Isapre R��o Blanco Limitada	100.0000	99.9900	0.0100	100.0000
CMS - Chile Sistema y Equipos Mineros S.A.	100.0000	99.9900	0.0100	100.0000
Ejecutora Proyecto Hospital del Cobre Calama	100.0000	99.9900	0.0100	100.0000
Complejo Portuario Mejillones S.A.	100.0000	99.9000	0.1000	100.0000
Instituto de Innovaci��n en Miner��a y Metal��rgica S.A.	99.9300	99.9300	0.0000	99.9300
Santiago de R��o Grande S.A.	100.0000	99.9800	0.0200	100.0000
CMS Tecnolog��a S.A.	100.0000	17.5000	82.5000	100.0000
Sociedad Geot��rmica del Norte S.A.	50.0100	50.0100	0.0000	50.0100
Biosigma S.A.	66.6700	66.6700	0.0000	66.6700

The interim consolidated financial statements take into account the elimination of balances, significant intercompany transactions and unrealized gains and losses between consolidated companies, including foreign and local subsidiaries and the participation of minority investors has been recorded as minority interest in the interim consolidated financial statements.

Notwithstanding that the subsidiary Complejo Portuario Mejillones S.A. was in its development stage until December 31, 2003, it has been included in the consolidation.

Given that the Company does not have control of the management of Electroandina S.A. and Inversiones Mejillones S.A., and that, in accordance with generally accepted accounting principles in Chile the conditions required to include these subsidiaries are not met, they have not been included in the consolidation.

- Electroandina S.A.

Codelco directly owns 34.8% of Electroandina S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco has an ownership interest of 49% and its strategic partner Tractebel Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Electroandina S.A.

- Inversiones Mejillones S.A.

Codelco directly owns 34.8% of Inversiones Mejillones S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco has a 49% interest and its strategic partner Tractebel Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Inversiones Mejillones S.A.

e. Constant currency restatement - The interim financial statements of the Chilean subsidiaries, which keep their accounting records in Chilean pesos, have been price- level restated to recognize the effects of the variation in the currency's purchasing power during each period. In line with this, restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for the six- month periods ended June 30, 2003 and 2004 were 1.1% and 0.8%, respectively.

f. Basis of conversion - The Company's assets and liabilities in pesos, mainly composed of cash, accounts receivable, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each period- end of Ch\$699.12 per US dollar as of June 30, 2003 (2004: Ch\$636.30 per US dollar).

UF-Denominated Assets and Liabilities

At June 30, 2003 and 2004, assets and liabilities denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$/UF rates effective on the closing dates of the financial statements (2003: US\$24.25860; 2004: US\$26.74045).

The Company's income and expenses in Chilean pesos have been translated into US dollars at the observed exchange rate on the date in which each transaction was recorded in the accounting records.

Foreign exchange differences are debited or credited to income, in accordance with generally accepted accounting principles issued by the Chilean Association of Accountants and regulations of the Superintendency.

The average exchange rates for the period from January 1 to June 30, 2003 was Ch\$723.76 per US dollar (2004: Ch\$607.84 per US dollar).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of June 30, 2003 and 2004 have been translated into US dollars at the exchange rates on those dates (2003: Ch\$699.12 per US dollar, 2004: Ch\$636.30 per US dollar;).

Foreign subsidiaries

As of June 30, 2003 and 2004, the interim financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the exchange rates as of the respective period-end, as follows:

	2003	2004
	US\$	US\$
Pound Sterling – UK	1.65563	1.81851
Euro	1.14982	1.21936
Mexican peso	0.09579	0.08704

g. Time deposits - Time deposits are recorded at cost plus interest accrued at each period-end.

h. Marketable securities - Marketable securities include mutual fund units stated at market value and certain defined marketable securities stated at the lower of cost or market value in accordance with accounting principles generally accepted in Chile.

i. Inventories - Inventories are valued at cost, which does not exceed their net realizable value. Cost has been determined using the following methods:

- Finished products and products in process

Following the full-cost absorption method, finished products and products in process are valued at average production cost. Production costs include depreciation of property, plant and equipment and indirect expenses.

- Materials in warehouse

Materials in warehouse are valued at acquisition cost.

The Company calculates an obsolescence provision considering the length of time in stock of slow turnover materials in warehouse.

- Materials in transit

Materials in transit are valued at cost incurred.

j. Allowance for doubtful accounts - Management estimates the allowance for doubtful accounts based on its experience and analysis, as well as the aging of the balances.

k. Property, plant and equipment - Property, plant and equipment are valued at historical cost as increased by technical appraisals performed by The American Appraisal Co. during 1982 to 1984, net of accumulated depreciation.

Construction in progress includes the amounts invested in property, plant and equipment under construction and in mining development projects.

Codelco does not capitalize interest.

l. Depreciation - Depreciation of property, plant and equipment is calculated on the book values of property, plant and equipment, including the revaluation mentioned in Note 2(k) above, using the straight-line method, and is booked in accordance therewith over the estimated useful lives of the assets.

m. Exploration, mine development and mine operating costs

- Deposit exploration and drilling costs

Deposit exploration and drilling costs are incurred in the identification of mineral deposits and the determination of their possible commercial viability and are charged to income as incurred.

- Mine pre-operation and development costs

Costs incurred during the development phase of projects up to the production stage are capitalized and amortized over future mineral production. These costs include extraction of waste material, constructing the mine's infrastructure and other work carried out prior to the production phase.

- Costs of developing existing mines

These costs are incurred for the purpose of maintaining the production volumes from deposits and are charged to income as incurred.

- Costs of delineating new deposit areas in exploitation and of mining operations

These costs are recorded in property, plant and equipment and are amortized to income in the period in which the benefits are obtained.

n. Leased assets - Property, plant and equipment recorded by the subsidiaries under finance leasing contracts are recorded as other plant and equipment. These assets have been valued

at their current value applying the implicit interest rate in the contracts and are depreciated using the straight-line method based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

o. Investments in related companies - Investments in domestic and foreign related companies, identified as permanent, are valued using the equity method in accordance with Technical Bulletins issued by the Chilean Association of Accountants. Equity method investments in domestic companies, which are accounted for in Chilean pesos are expressed in US dollars at the period-end exchange rate. The differences which arise and are unrelated to the recognition of income are recognized in Other reserves in Equity. In applying the equity method, investments in foreign subsidiaries are expressed in US dollars.

Unrealized gains related to investments in related companies are credited to income at the same rate as the amortization of the transferred assets or mine production, as applicable.

p. Investments in other companies - The item “investments in other companies” represents the value of the shares the Company has been required to acquire for its operations. These are recorded at cost, which does not exceed market value.

q. Intangibles - Intangibles are recorded at the amount of the disbursements made and are amortized in accordance with Technical Bulletin N° 55 issued by the Chilean Association of Accountants.

r. Income tax and deferred income taxes - The Company provides for income taxes in accordance with current regulations, including the first category tax and an additional 40% tax applied to state-owned entities as specified by D.L. N° 2,398. Law N° 19,753 established a progressive increase in the first category tax rate to 16% for 2002, 16.5% for 2003 and 17% for 2004 and thereafter.

The Company recognizes the effects of deferred income taxes arising from temporary differences, which have a different treatment for book and tax purposes, in accordance with the Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency.

s. Severance indemnities and other long-term benefits - The Company has an agreement with its employees for payment of severance indemnities. It is the Company’s policy to provide for the total accrued obligation under the shut-down method.

The Company, following its cost-reduction programs through the use of modern technologies, has established personnel severance programs, with benefits that encourage retirement, for which the necessary provisions are made when the employee commits to his/her retirement.

t. Revenue recognition - Revenue is recognized at the time of shipment or delivery in conformity with contractual agreements and is subject to variations in contents and/or the sales price at the transaction settlement date. A provision is made for estimated decreases in sales values on unsettled operations at the end of the period based on the information available as of the date the financial statements are prepared. Sales in Chile are recorded in accordance with Chilean regulations.

u. Derivatives contracts - The Company's derivative contracts are entered into based on the following hedging policies:

- Hedging operations, which have to be approved by the Board of Directors, in metal futures markets are carried out in order to protect the Company from risks inherent to the fluctuation of the price of metals. The hedging policy seeks to protect the expected cash flows from sale of products. With the transactions that are carried out, the Company takes advantage of the opportunities provided by the market, implying a reduced possibility of risk for the Company. In accordance with the provisions of Technical Bulletin No. 57 of the Chilean Association of Accountants, the results of these hedging transactions are recorded at the settlement date of the operations, as part of the procedures of the settlement of sale of products. In other words, the Company conducts these futures operations in order to adjust the sales contracts to the commercial policy. The settlement of these operations coincides with the accounting for corresponding transactions and, therefore, when sales commitments are fulfilled, sales contracts' and future contracts' results are offset.
- Hedging policies for exchange rates and interest rates.

Exchange rate hedges include contracts which mitigate the risk of fluctuations between the UF and the US\$ exchange rate to which the Company is exposed as a result of its outstanding UF-denominated bonds.

Interest rate hedges include contracts at fixed interest rates for future obligations denominated in US dollars at variable interest rates.

The results of the exchange rate hedging contracts are recorded as of the date of maturity or settlement of the respective contracts, in conformity with Technical Bulletin No. 57 issued by the Chilean Association of Accountants.

The results of the hedging contracts for interest rates for future liabilities are amortized over the term of those liabilities.

Hedging operations carried out by the Company are not of a speculative nature.

v. Computer software - The costs associated with computer systems developed using the Company's own human resources and materials are charged to income in the period in which they are incurred.

In accordance with Circular N° 981 dated December 28, 1990 of the Superintendence of Securities and Insurance, computer systems acquired by the Company are capitalized at acquisition cost plus all related costs, and are amortized over a period not exceeding four years.

w. Research and development expenses - Research and development expenses are charged to income as incurred.

x. Statement of cash flows - Cash and cash equivalents includes unrestricted cash and bank balances, time deposits and short-term marketable securities maturing within 90 days, in accordance with Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency.

The Company has recognized cash flows from operating, investing or financing activities as required by Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency.

y. Bonds - Bonds are presented at outstanding principal plus accrued interest at each period-end. The discount on bond issuance is capitalized as deferred expenses, included in Other under Other Assets, and is amortized using the straight-line method over the term of the bonds.

z. Environmental exit costs - The Company has established a policy of accruing for future environmental exit costs, which mainly relate to tailing dams, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the allocation of a mine's environmental exit costs during its exploitation stage.

aa. Law N° 13,196 - Law No. 13,196 requires the payment of a 10% contribution to the Chilean Government on the export value of copper production and related by-products. The amount is included in the item Other Expenses in the interim statements of income.

ab. Cost of sales - The cost of sales includes direct and indirect costs and depreciation and amortization related to the production process.

ac. Bond issuance cost - Bond issuance cost is charged to results for the period, as established in Circular N° 1,370 dated January 30, 1998 of the Superintendency.

ad. Reclassifications - Certain 2003 figures have been reclassified for comparative purposes with 2004 figures.

3. CHANGES IN ACCOUNTING PRINCIPLES

With respect to the prior period, from January 1 to June 30, 2004, there were no changes in accounting policies and accounting criteria described in Note 2.

4. CURRENT AND LONG-TERM RECEIVABLES

Current and long - term accounts receivable, notes and other receivables and related allowances for doubtful accounts as of each June 30, are as follows:

	Current								Long-term	
	Less than 90 days		90 days to 1 year		Total		2003			
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade receivables	255,786	548,067			255,786	548,067				
Allowance for doubtful accounts					(2,050)	(1,300)				
Total					253,736	546,767			-	-
Notes receivable	2,647	125			2,647	125				
Other receivables	23,828	26,777	87,140	80,760	110,968	107,537			92,811	130,814
Allowance for doubtful accounts					(14,095)	(10,067)				
Total					96,873	97,470			92,811	130,814

Current and long-term accounts receivable, notes and other receivables by geographical segment as of June 30, 2003 and 2004 are as follows:

Country / Region	As of June 30,			
	2003		2004	
	ThUS\$	%	ThUS\$	%
Chile	222,414	49.86	310,600	40.07
Europe and Africa	103,055	23.10	187,386	24.17
Asia	96,669	21.67	210,990	27.22
North America	17,323	3.88	42,958	5.54
Rest of South America	6,606	1.49	23,242	3.00
Total	446,067	100.00	775,176	100.00

5. TRANSACTIONS WITH RELATED COMPANIES

The Company's policies for transactions with related companies are specifically defined by the Company's Board of Directors and regulated by Company management. The Company, acting in accordance with current applicable regulations and within the normal scope of its business, conducts transactions with related entities or parties, at arm's length, which are similar to those usually prevailing in the market when they are carried out.

Accounts receivable from related companies are expressed in United States dollars and subject to interest rates which do not exceed market rates.

The principal transactions with related companies relate to commercial and financial operations. Commercial operations refer to the purchase and sale of products or services and financial operations refer mainly to loans in current accounts which are subject to inflation restatements and interest under the agreed upon contract conditions.

a. Notes and accounts receivable from related companies:

Company name	As of June 30,			
	Current		Long-term	
	2003 ThUS\$	2004 ThUS\$	2003 ThUS\$	2004 ThUS\$
Minera Pecobre S.A. de C.V.		479		
Sociedad Contractual Minera El Abra	1,069	2,517	35,849	36,613
Electroandina S.A.	194	205	45,400	45,400
Agua de la Falda S.A.	29	8		
Fundición Talleres S.A.		1,691		
Inversiones Tocopilla Ltda.		1		
Inversiones Mejillones S.A.		1		
Total	1,292	4,902	81,249	82,013

b. Notes and accounts payable to related companies:

Company name	As of June 30,			
	Current		Long - term	
	2003 ThUS\$	2004 ThUS\$	2003 ThUS\$	2004 ThUS\$
Electroandina S.A.	8,264	18,142		
Sociedad Contractual Minera El Abra	11,428	22,122		
Distrinor S.A.		1,723		
Fundición Talleres S.A.		2,615		
Total	19,692	44,602	-	-

c. Transactions - An analysis of the major transactions with related companies is as follows:

Company name	Relation	Description of the Transaction	As of June 30,			
			2003		2004	
			Amount ThUS\$	Effect on income ThUS\$	Amount ThUS\$	Effect on income ThUS\$
Electroandina S.A.	Investee	Purchase of electricity	61,076	(61,076)	69,604	(69,604)
		Interest income	878	878	518	518
S.C. Minera El Abra	Investee	Purchase of copper	75,745	(75,745)	132,071	(132,071)
		Sale of copper	31,546	6,110	8,986	1,752
		Interest income	425	425	436	436
		Sales of services	1,342	1,342	2,437	2,437
Fundición Talleres S.A.	Investee	Purchase of copper			3,980	(3,980)
		Recovered expenses			1,680	1,680
Agua de la Falda S.A.	Investee	Purchases of services			5	(5)

6. INVENTORIES

The breakdown of inventories is as follows:

	As of June 30,		
	2003		2004
	ThUS\$	ThUS\$	ThUS\$
Finished products		284,593	440,054
Work in progress		191,874	213,111
Materials in warehouse and others		120,328	135,102
Total		596,795	788,267

The value of inventories is presented net of the obsolescence allowance for materials in warehouse of ThUS\$32,158 and ThUS\$35,619 as of June 30, 2003 and 2004, respectively.

7. INCOME AND DEFERRED TAXES

a. Deferred tax:

In accordance with Law No. 19,753 and Technical Bulletin No. 71 issued by the Chilean Association of Accountants, the Company has recognized the effects of the increase in the tax rate of first category income tax. Deferred taxes calculated under the criteria in Note 2 (r) represent a net liability of ThUS\$951,872 and ThUS\$999,382 as of June 30, 2003 and 2004.

b. Income tax:

- As of June 30, 2003 and 2004, the provision for first category income tax required by D.L. N°2,398 amounted to ThUS\$9,502 and ThUS\$734,795, respectively, and is shown net of estimated monthly payments of taxes and of other tax credits in income taxes recoverable in current assets.
- In the subsidiaries, this income tax provision amounted to ThUS\$287 in 2003 and ThUS\$173 in 2004 and is shown in income tax payable net of estimated monthly tax payments and other tax credits.

c. Deferred taxes:

Temporary differences	As of June 30,							
	2003				2004			
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Temporary differences	Current ThUS\$	Long-term ThUS\$						
Allowance for doubtful accounts	4,128	5,568					5,840	
Vacation accrual	25,573					30,181		
Depreciation of fixed assets	4			1,222,825				1,262,536
Financing leases			2					
Severance liability	9	9		32				
Other	90	22,231		1,372		12,856		1,365
Obsolescence provisions	75	18,330					20,272	
Contingencies		44,603					31,849	
Environmental exit costs provision		44,289					36,299	
Hedging of bonds				40,816				23,842
Collective bargaining bonus				10,075				25,671
Unrealized gains		155,911					130,795	
Domestic and foreign bonds								6,022
Special retired employees plan					957		19,274	
Medical plan							29,001	
Mark to market provision		2,430						
Total	32,309	290,941	2	1,275,120	43,994	274,695	-	1,318,071

d. Income tax (expense):

Item	Period ended June 30,	
	2003 ThUS\$	2004 ThUS\$
Current tax	(9,789)	(734,968)
Deferred tax	(45,304)	(7,893)
Total	(55,093)	(742,861)

8. PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

a. Property, plant and equipment

	As of June 30,	
	2003 ThUS\$	2004 ThUS\$
Land		
Land	29,363	30,267
Mining rights	159	158
Subtotal	29,522	30,425
Buildings and infrastructure		
Infrastructure	1,782,064	1,741,238
Buildings	1,855,684	1,869,909
Housing	129,679	130,512
Construction in progress	994,550	1,054,628
Development of mines and mining operations	1,128,255	1,320,868
Forestation and forest development	900	900
Buildings and infrastructure of subsidiaries	88,328	124,000
Subtotal	5,979,460	6,242,055
Machinery and equipment		
Machinery and equipment	4,698,782	4,912,779
Transportation equipment	597,515	619,522
Furniture and fixtures	27,049	26,525
Machinery and equipment of subsidiaries	9,626	12,016
Subtotal	5,332,972	5,570,842
Other plant and equipment		
Leased assets	78	49,354
Other assets of subsidiaries	278	148
Technical appraisal revaluation	383,247	383,105
Total gross property, plant and equipment	11,725,557	12,275,929

b. Accumulated depreciation

	As of June 30,	
	2003 ThUS\$	2004 ThUS\$
Buildings and infrastructure		
Infrastructure	1,441,736	1,365,504
Buildings	1,257,932	1,307,690
Housing	170,908	173,221
Development of mines and mining operations	480,491	579,020
Subtotal	<u>3,351,067</u>	<u>3,425,435</u>
Machinery and equipment		
Machinery and equipment	3,023,212	3,120,989
Transportation equipment	341,649	374,949
Furniture and fixtures	25,052	25,181
Subtotal	<u>3,389,913</u>	<u>3,521,119</u>
Other plant and equipment		
Leases	68	1,718
Subtotal	<u>68</u>	<u>1,718</u>
Accumulated depreciation - subsidiaries	<u>5,221</u>	<u>9,056</u>
Total accumulated depreciation	<u><u>6,746,269</u></u>	<u><u>6,957,328</u></u>

c. Depreciation for the period

	Period ended June 30,	
	2003 ThUS\$	2004 ThUS\$
Buildings and infrastructure		
Infrastructure	31,279	30,938
Buildings	29,739	30,458
Housing	1,272	2,096
Development of mines and mining operations	40,723	53,619
 Subtotal	 103,013	 117,111
 Machinery and equipment		
Machinery and equipment	99,916	105,927
Transportation equipment	23,321	24,827
Furniture and fixtures	166	148
 Subtotal	 123,403	 130,902
 Other fixed assets		
Leases	1,289	1,289
 Subtotal	 -	 1,289
Depreciation and amortization of subsidiaries	627	800
 Total depreciation and amortization for the period	 227,043	 250,102

d. Technical appraisal revaluation

Technical appraisal revaluation				
As of June 30, 2003	Property, plant and equipment ThUS\$	Accumulated depreciation ThUS\$	Depreciation for the period ThUS\$	Property, plant and equipment, net ThUS\$
Building	113,143	100,511	1,709	12,632
Transportation equipment	850	737	5	113
Housing	56,846	48,931	871	7,915
Machinery	10,575	9,533	126	1,042
Furniture and fixtures	26	25		1
Infrastructure	201,807	175,565	1,418	26,242
Total	383,247	335,302	4,129	47,945

Technical appraisal revaluation				
As of June 30, 2004	Property, plant and equipment ThUS\$	Accumulated depreciation ThUS\$	Depreciation for the period ThUS\$	Property, plant and equipment, net ThUS\$
Building	113,017	102,121	1,822	10,896
Transportation equipment	850	741	4	109
Housing	56,845	49,802	1,712	7,043
Machinery	10,567	9,652	126	915
Furniture and fixtures	19	18		1
Infrastructure	201,807	176,983	1,416	24,824
Total	383,105	339,317	5,080	43,788

e. Other plant and equipment

Other plant and equipment include assets acquired under capital leases as follows:

	As of June 30,	
	2003	2004
Assets:	ThUS\$	ThUS\$
		\$
Buildings		49,354
Machinery and equipment	67	
Transportation equipment	11	
Total	78	49,354
 Accumulated depreciation:		
Buildings		1,718
Machinery and equipment	2	
Transportation equipment	66	
Total	68	1,718

Additional information

The assets acquired under financial leases are classified as other fixed assets, and have the following characteristics:

Annual interest rate	:	varies between 4.67% and 11.27%
Contract currency	:	UF
Amortization period	:	Between 181 and 300 months, including purchase option
Principal	:	UF 1,820,761

9. INVESTMENTS IN RELATED COMPANIES

In general, the Company's foreign subsidiaries facilitate the commercial activity of the Company in foreign markets.

The Company has not assumed any liabilities as hedging instruments to cover its foreign investments.

Additional information:

- Agua de la Falda S.A.

In 1996, Agua de la Falda S.A. was formed by Codelco (49%) and Minera Homestake (51%).

The company's business objective is the exploration and exploitation of gold and other ore deposits in Region III of Chile.

- Minera Pecobre S.A. de C.V.

Minera Pecobre S.A. de C.V. is a Mexican company formed by the Mexican company Minas Peñoles S.A. de C.V. and Codelco, with share holdings of 51% and 49%, respectively.

The company's line of business is the exploration of copper and by-products in mining area concessions in the state of Sonora, Mexico. Through other mining companies, the company also explores, processes and disposes of ore found in the mining areas.

- Inversiones Tocopilla Ltda. and Electroandina S.A.

Inversiones Tocopilla Ltda. is a holding company in which Tractebel Andino S.A. has a 51% interest and Codelco 49%.

The principal business of Electroandina S.A., a public-traded company, is the generation, transmission and distribution of electric energy in Region II of Chile. Inversiones Tocopilla Ltda. holds 65.2% and Codelco holds 34.8%. The main assets of Electroandina S.A. were acquired from the Company's former Tocopilla Division.

- Sociedad Contractual Minera El Abra

Sociedad Contractual Minera El Abra was formed in 1994 by Codelco-Chile (49%) and Cyprus El Abra Company (51%), with Cyprus Amax Minerals Company as a guarantor, both linked to the Phelps Dodge mining consortium, to develop and exploit the El Abra deposit.

Codelco's investment in the project consisted of the contribution of a number of mining properties. The financing agreements for the project became effective June 15, 1995 and include the following obligations during the term of the agreements:

- a) A long-term trading agreement with Codelco Services Ltd. for a portion of the production of El Abra.
- b) The commitment from the partners to maintain majority ownership of the property of Sociedad Contractual Minera El Abra.
- c) A pledge on the ownership rights of Sociedad Contractual Minera El Abra in favor of the lending institutions.

- Inversiones Mejillones S.A.

Inversiones Mejillones S.A. was formed on March 20, 2002, with direct ownership of 34.8% by Codelco Chile and 65.2% by Inversiones Tocopilla Ltda. Codelco owns 49% of the capital of Inversiones Tocopilla Ltda.

Inversiones Mejillones S.A. was formed with the objectives of acquiring 82.34% of the shares of Empresa Eléctrica del Norte S.A. (Edelnor), rescheduling its financial obligations and coordinating the operations between Electroandina S.A. (of which Codelco and Inversiones Tocopilla Ltda. are partners) and Edelnor.

- Sociedad Contractual Minera Puren

Sociedad Contractual Minera Puren was formed on September 23, 2003 by Codelco and Compañía Minera Mantos de Oro, with shareholdings of 35% and 65%, respectively.

The Company's objective is the exploration, prospecting, research, development and exploitation of mining projects.

- Fundición Talleres S.A.

Fundición Talleres S.A., is a non-public company, formed on October 1, 2003 by Codelco and Elaboradora de Cobre Chilena Limitada. On October 23, 2003, Fundación Talleres S.A. acquired from Talleres, a Coldeco Division, machinery and other operational property, plant and equipment amounting to ThUS\$12,560, this transaction did not produce unrealized gains. On January 23, 2004, Codelco sold 60% of its ownership to Compañía Electrometalúrgica S.A. resulting in a loss of ThUS\$2,744.

Fundición Talleres S.A.'s business is the manufacturing of steel spares and parts.

Additional information on unrealized gains:

The Company has recorded unrealized gains on the contribution of mining properties, property, plant and equipment and ownership rights.

The most significant transactions are detailed as follows:

- Sociedad Contractual Minera El Abra

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. At June 30, 2003, a gain of ThUS\$10,144 (ThUS\$10,052 in 2004) was recognized.

- Electroandina S.A.

There is an unrealized gain on the contribution of fixed assets in 1996. The gain will be recognized over ten years through 2006. At June 30, 2003, gains of ThUS\$9,079 (ThUS\$9,079 in 2004) were recognized.

- Inversiones Tocopilla Ltda.

There is an unrealized gain on the initial contribution of ownership rights in 1996. The gain will be recognized over ten years through 2006. At June 30, 2003, gains of ThUS\$3,266 (2004, ThUS\$3,266) were recognized.

The detail of investments is as follow:

Company	Number of shares	As of June 30,							
		Percentage owned		Equity in income (loss)		Unrealized gain		Book value of the investment	
		2003 %	2004 %	2003 ThUS \$	2004 ThUS \$	2003 ThUS \$	2004 ThUS \$	2003 ThUS \$	2004 ThUS \$
Agua de La Falda S. A.	17,052	49.00	49.00	(405)	(339)			5,582	4,217
Minera Pecobre S.A. de C. V.	481,794	49.00	49.00	(1,214)	(1,048)			1,034	1
Electroandina S.A.	126,319,895	34.80	34.80	396	(2,386)	(48,424)	(30,265)	52,617	96,411
Inversiones Tocopilla Ltda.		49.00	49.00	3,623	(262)	(17,419)	(10,886)	115,625	158,436
S.C. Minera El Abra	49,000	49.00	49.00	(7,733)	48,949	(207,570)	(187,373)	54,843	147,565
Minera Yabricoya SCM		45.00		(11)					
Inversiones Mejillones S.A.	18,671	34.80	34.80	6,327	5,457			29,021	50,047
Quadrem International Holdings Ltd.	1,319,797	6.00	6.00					934	1,320
Fundición Talleres S.A.	426,429		40.00		(103)				6,922
Soc. Contractual Minera Puren	350		35.00		(1,000)				782
Alliance Copper Ltd.	36,600,000	50.00	50.00	(426)	(5,030)	(5,001)	(5,000)	25,267	24,584
Total				557	44,238	(278,414)	(233,524)	284,923	490,285

10. OTHER ASSETS

Other assets are as follows:

	As of June 30,	
	2003 ThUS\$	2004 ThUS\$
Filling of plants with reactives (1)	15,638	14,387
Interest rate hedging (2)	71,607	41,828
Deferred expenses collective bargaining (3)	17,676	45,037
Complementary activities (4)	39,942	47,743
Discount on bonds (5)	9,040	10,565
Nueva Calama integration project (6)	96,043	163,253
Hedging - exchange rates (7)	5,328	22,616
Other	1,771	2,223
Total other assets	257,045	347,652

- (1) Corresponds mainly to expenses for filling of the Radomiro Tomic Division Leaching Plant, which are amortized over five years.
- (2) Corresponds to variations in hedging operations on interest rates related to bond obligations, which are amortized using the straight-line method over the terms of the respective obligations up to September 2008.
- (3) Corresponds to the bonus for completion of collective bargaining, which is amortized over the term of each collective bargaining agreement.
- (4) Corresponds to disbursements related to improvements to tailing dams and hydro and geological activities, which are amortized over a maximum period of 6 years, depending on the related activity.
- (5) Corresponds to bond discount on issuances made in Chile and United States. These are amortized using the straight-line method over the term of these bonds to the maturity dates (2012 and 2013).
- (6) Corresponds to expenses incurred in moving the camp from Chuquicamata to Calama City and development of the mine, by the extension of waste tips and by improvement of the environmental conditions in the camp.
- (7) Corresponds to the net account receivable in connection with hedging contracts on exchange rates entered into to protect the Company against future variation of the US\$/UF rate applicable to the UF denominated bonds.

11. CURRENT DEBT DUE TO BANKS AND FINANCIAL INSTITUTIONS

a. Current obligations

Bank or financial institution	Currency	As of June 30,	
		2003 ThUS\$	2004 ThUS\$
San Paolo Imi SPA	US\$	45,037	
Santander Central Hispano	US\$	125,414	
Banco Bilbao Vizcaya	US\$	55,127	
Banca Nazionale Del Lavoro	US\$	30,003	
The Bank of Tokyo-Mitsubishi	US\$	40,097	
Citibank N.A.	US\$	70,081	
Banca Di Roma	US\$	20,164	20,131
The Royal Bank of Canada	US\$	50,113	
Toronto Dominion Bank	US\$	35,600	
Banco de Chile	US\$	80,135	
ABN Amro Bank (Chile)	US\$	30,007	
Dresdner Bank	US\$		30,261
SCH Overseas Bank Inc.	US\$		100,835
Banco Santander Santiago	US\$		30,220
Others	US\$	8,800	14,800
Total		590,578	196,247
Principal outstanding		589,400	194,800
Annual average interest rate		1.58%	1.52%
Percentage of obligations in foreign currency (1)		100.00%	100.00%
Percentage of obligations in local currency		-	-
		100.00%	100.00%

(1) Obligations in US dollars have been considered as foreign currency for the purposes of this disclosure.

b. Current portion of long-term obligations

Bank or financial institution	Currency	As of June 30,	
		2003 ThUS\$	2004 ThUS\$
JP Morgan – The Chase Manhattan Bank	US\$	201,110	200,593
Citibank N.A.	US\$	134	175
BNP Paribas	US\$		2,187
The Bank of Tokyo-Mitsubishi Ltd.	US\$		88
Total		201,244	203,043
Principal outstanding	US\$	200,000	200,000
Annual average interest rate		1.66%	2.01%
Percentage of obligations in foreign currency (1)		100%	100%

(1) Obligations in US dollars have been considered as foreign currency for the purposes of this disclosure.

12. BANKS AND FINANCIAL INSTITUTIONS LONG-TERM

These obligations accrue interest at variable rates based on Libor.

Bank or financial institution	Currency	As of June 30, 2003		As of June 30, 2004		Annual average interest rate	
		Total ThUSS	Years to maturity				
			After 2 year but within 3 years	After 3 years but within 5 years	Total ThUSS		
JP Morgan-The Chase Manhattan Bank	US\$	200,000					
Citibank N.A.	US\$	300,000	300,000		300,000	2.32	
BNP Paribas	US\$			300,000	300,000	1.62	
The Bank of Tokyo - Mitsubishi Ltd.	US\$			300,000	300,000	2.12	
Total		500,000	300,000	600,000	900,000		
Percentage of obligations in foreign currency (1)		100%			100%		

(1) Obligations in US dollars have been considered as foreign currency for the purposes of this disclosure.

13. CURRENT AND LONG-TERM BONDS PAYABLE

On May 4, 1999, the Company issued and placed bonds in the North American market, under Regulation 144-A, for a nominal amount of ThUS\$300,000. These bonds mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually.

On November 18, 2002, the Company issued and placed bonds in the domestic market, under the regulations of the Superintendence of Securities and Insurance. These bonds were issued for a nominal amount of UF7,000,000, (at June 30, 2004 equivalent to ThUS\$187,098) of a single denominated A Series, and are represented by 70,000 certificates of UF 100 each. These bonds are repayable in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually.

On November 30, 2002, the Company issued and placed bonds in the North American market, under Regulation 144-A, for a nominal amount of ThUS\$435,000. These bonds mature in a single installment on November 30, 2012, at an interest rate of 6.375% per annum with interest paid semi-annually.

On October 15, 2003, the Company issued and placed bonds in the North American market, under Regulation 144-A, for nominal amount of ThUS\$500,000. These bonds are repayable in a single installment on October 15, 2013, at an interest rate of 5.5% per annum with interest paid semi-annually.

Instrument	Currency	Interest rate %	Interest date/ maturity date	As of June 30,	
				2003 ThUS\$	2004 ThUS\$
Bond interest payable 144A	US\$	7.375	Semi-annually	3,688	3,688
Bond interest payable Series A	UF	4.000	Semi-annually	2,241	2,470
Bond interest payable 144A	US\$	6.375	Semi-annually	2,311	2,311
Bond interest payable 144A	US\$	5.500	Semi-annually		6,874
Total				8,240	15,343
Long-term bond 144A	US\$	7.375	May-1-2009	300,000	300,000
Long-term bond Series A	UF	4.000	Sep-1-2012	169,810	187,098
Long-term bond 144A	US\$	6.375	Nov-30-2012	435,000	435,000
Long-term bond 144A	US\$	5.500	Oct-15-2013		500,000
Total				904,810	1,422,098

14. ACCRUALS

The composition of current and long-term accruals is as follows:

Item	As of June 30,			
	Current		Long-term	
	2003 ThUS\$	2004 ThUS\$	2003 ThUS\$	2004 ThUS\$
Interest rate - hedging	2,023	3,022		
Cost of sales - miscellaneous (1)	2,921	7,135		
Operating costs - miscellaneous (2)	12,497	15,604		
Other employee benefits - collective bargaining	6,639	1,831		
Severance indemnity	25,161	28,002	380,798	479,054
Export tax (Law 13,196)	15,882	45,853		
Payroll (3)	24,052	40,689		
Vacations	44,893	53,668		
Miscellaneous	19,066	10,767	2,248	2,842
Early retirement program (4)		1,680	29,814	33,813
Environmental exit costs (5)			77,700	63,683
Contingencies		197	55,047	55,876
Health programs (6)			3,301	49,200
Total	153,134	208,448	548,908	684,468

- (1) Corresponds to a provision related to cost of sales, including freight expenses, loading, and unloading not invoiced as of the end of the period.
- (2) Corresponds to provision for customs duties, freight charges on purchases, and electricity, among others.
- (3) Corresponds to benefits granted to the Company's employees which are accrued as of the closing date of these financial statements, including Christmas and Independence Day bonuses, other bonuses, legal employee bonuses and other benefits.
- (4) Corresponds to benefits granted to the Company's employees under early retirement programs for those who have agreed to retire, under these plans.
- (5) Corresponds to the policy established by the Company with respect to the provision of future environmental exit costs of mines, which principally relate to the clean up of tailing dams.
- (6) Corresponds to a provision made in order to cover Company's commitments for contributions to health institutions as agreed upon with employees who have retired. The accrual considers an annual discount rate of 8.5% and life expectation of 10 years.

15. SEVERANCE INDEMNITIES

The changes in the accrual for severance indemnities are summarized as follows:

	As of June 30,			
	Current		Long-term	
	2003 ThUS\$	2004 ThUS\$	2003 ThUS\$	2004 ThUS\$
Balance as of January 1	24,458	29,195	363,456	453,363
Payments made	(12,380)	(2,931)		(9,822)
Provision for the period (including effects for variations in exchange rates)		(1,712)	30,425	38,963
Transfer to current	13,083	3,450	(13,083)	(3,450)
Total	25,161	28,002	380,798	479,054

16. MINORITY INTEREST

The detail of minority interest included in liabilities and net income is as follows:

Companies	As of June 30,		2004	
	2003		Liabilities ThUS\$	Net income ThUS\$
	Liabilities ThUS\$	Net income ThUS\$		
Asociación Garantizadora de Pensiones	21	1	22	
Biosigma S.A.	932	42	676	100
CMS Chile S.A.	(1)		(1)	
Inst. de Innov. en Min. y Metalúrgica S.A.	2		2	
Isapre Chuquicamata Ltda.	28		34	
Isapre Río Blanco Ltda.	1		1	
Sociedad Elab. de Cobre Chilena Ltda.			(9)	3
Sociedad Geotérmica del Norte S.A.	(214)	263	1,141	(49)
Total	769	306	1,866	54

17. EQUITY

The Company was formed by D.L. No. 1,350 dated 1976, which establishes that all net income earned by the Company goes to the benefit of the Chilean Government after deducting amounts that, by a charge to net earnings for each year, must be maintained in Other Reserves as established in Article Six of Decree Law N° 1,350, dated 1976, and have to be included in the proposal made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

The composition of Other Reserves as of June 30, 2003 is as follows:

Detail	Period ThUS\$	Accumulated ThUS\$
Allocation of net income		
(Exempt Decree Ministry of Mining and Treasury Department)	9,130	618,181
Cumulative translation adjustment – subsidiaries	(446)	33,326
Reserve for housing programs		35,100
Technical appraisal revaluation reserve - D.L. N°3,648		<u>624,568</u>
Balance of other reserves as of June 30, 2004	<u>8,684</u>	<u>1,311,175</u>

(1) As of June 30, 2003 and 2004, the composition of the cumulative translation adjustment in Other reserves, which corresponds to the investments in subsidiaries and investees whose currency is other than the United States dollar, is as follows:

	June 30, 2003			June 30, 2004		
	Initial	Period	Accumulated	Initial	Period	Accumulated
	balance ThUS\$	ThUS\$	ThUS\$	balance ThUS\$	ThUS\$	ThUS\$
Hospital del Cobre S. A.	(15)	1	(14)	(8)	(3)	(11)
Instituto de Innovación en Minería y Metalurgia S.A.	(132)	96	(36)	377	(165)	212
Compañía Contractual Minera Los Andes	(514)		(514)	(512)	6	(506)
CMS Chile S.A.	(704)	(91)	(795)	(2,234)	372	(1,862)
CMS Tecnología S.A.	(126)	(773)	(899)	(199)	2	(197)
Electroandina S.A. (2)	(6,116)	3,962	(2,154)	15,327		15,327
Inversiones Tocopilla Ltda. (2)	(6,675)	4,726	(1,949)	18,684		18,684
Complejo Portuario Mejillones S.A. (1)	(853)	902	49	(853)		(853)
Santiago de Río Grande S.A.C.	(1)		(1)		(2)	(2)
Sociedad Elaboradora de Cobre	(182)		(182)	(170)	52	(118)
Yabricoya SCM	(3)		(3)	(37)		(37)
Asociación Garantizadora de Pensiones	(62)	21	(41)	(159)	(46)	(205)
Isapre Chuquicamata Ltda.	(77)	55	(22)	280	(118)	162
Isapre San Lorenzo Ltda.	36	20	56	103	(30)	73
Isapre Rio Blanco Ltda.	(25)	26	1	79	(26)	53
Compañía Minera Picacho	(66)	4	(62)	(46)	(8)	(54)
Geotermica del Norte S.A.	(42)	50	8	(622)	(67)	(689)
Biosigma S.A.	(13)	95	82	324	(96)	228
Inversiones Mejillones S.A. (2)	218	514	732	2,655		2,655
Fundición Talleres S.A.				710	(166)	544
Minera Purén SCM				73	(151)	(78)
Total	(15,352)	9,608	(5,744)	33,772	(446)	33,326

- (1) Effective January 1, 2003, the subsidiary, Complejo Portuario Mejillones S.A., was authorized to keep its accounting records in US dollars.
- (2) Effective January 1, 2004, the investees Electroandina S.A., Inversiones Tocopilla Ltda. and Inversiones Mejillones S.A. were authorized to keep their accounting records in US dollars.

Changes in equity are detailed as follows:

	As of June 30, 2003				As of June 30, 2004			
	Paid-in	Other	Profits	Net income	Paid-in	Other	Profits	Net income
	capital	reserves	distribution	for the period	capital	reserves	distribution	for the period
	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS	ThUSS
Beginning balance - January 1	1,524,423	1,237,019	(76,853)	48,476	1,524,423	1,302,491	(94,724)	89,230
Recording of reserves and/or income in equity as required		16,347	32,129	(48,476)		9,130	80,100	(89,230)
Net changes in equity in subsidiaries and affiliated companies		9,608					(446)	
Net income for the period				33,833				521,572
Interim dividends								(468,734)
Total	1,524,423	1,262,974	(44,724)	33,833	1,524,423	1,311,175	(483,358)	521,572

18. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses are detailed as follows:

a. Non-operating income

	Period ended June 30,	
	2003	2004
	ThUS\$	ThUS\$
Fines on suppliers	1,684	1,414
Other income	8,663	12,283
Sale of bid contract terms	91	78
Miscellaneous sales	2,459	2,703
Sales of services	4,053	5,582
Sales of property, plant and equipment	685	75,825
Recovery future contracts	69	
Realized gain on contributions to companies	22,489	22,397
Rent	879	1,020
Administration - Satep	1,311	2,055
 Total	 <u>42,383</u>	 <u>123,357</u>

b. Non-operating expenses

	Period ended June 30,	
	2003	2004
	ThUS\$	ThUS\$
Export tax (Law N° 13196)	113,186	275,260
Pre-investment expenses	15,728	14,468
Other personnel expenses	3,107	4,790
Severance indemnities	8,626	56,655
Contingency accrual	6,000	50,461
Retirement plans	11,882	2,725
Cost of sales - services	1,587	2,739
Cost of sales - miscellaneous	2,479	2,195
Other expenses	7,418	16,424
Write-offs of obsolete property, plant and equipment	1,519	1,417
Losses on disposal of property, plant and equipment	1,756	9,281
Labor related illnesses	3,200	15,846
Administration - Satep	3,169	3,678
Nueva Calama integration project	3,028	3,028
Environmental exit costs	2,944	3,469
 Total	 <u>185,629</u>	 <u>462,436</u>

19. PRICE-LEVEL RESTATEMENT

The composition of price-level restatement (charged) credited to the statements of income is detailed as follows:

	Period ended June 30,	
	2003	2004
	ThUS\$	ThUS\$
Property, plant and equipment	632	113
Investments in related companies	74	18
Other non-monetary assets		143
Expense and cost accounts	70	76
Total credits - assets	776	350
Other liabilities	(14)	(144)
Non-monetary liabilities	(193)	(85)
Income accounts	(81)	(171)
Total net charges - liabilities	(288)	(400)
Gain (loss) from price-level restatement	488	(50)

20. FOREIGN EXCHANGE DIFFERENCES

The (charge) credit to income for foreign exchange differences is as follows:

Assets (Charges) / Credits	Currency	Period ended June 30,	
		2003	2004
		ThUS\$	ThUS\$
Cash	Ch\$	(164)	(2,067)
Other receivables	Ch\$	430	(297)
Trade receivables	Ch\$	1,090	(1,497)
Other current assets	Ch\$	2,047	(9,799)
Investments in related companies	Ch\$	2,379	
Investments in related companies	Euro		(719)
Investments in related companies	£		44
Investments in related companies	Mexican peso		(20)
Long-term receivables	Ch\$	1,336	(4,269)
Other	Ch\$	1,192	(4,279)
Total (charges) credits		8,310	(22,903)
Liabilities (Charges) / Credits			
Accounts payable	Ch\$	(3,175)	5,034
Other payables	Ch\$	96	(120)
Other current liabilities	Ch\$	(24)	2,510
Other long-term liabilities	Ch\$	(12,302)	35,498
Total (charges) credits		(15,405)	42,922
Total		(7,095)	20,019

21. EXPENSES OF ISSUANCE AND PLACEMENT OF SHARES AND DEBT INSTRUMENTS

Expenses of ThUS\$8,779 incurred in the issuance and placement of bonds made in 2003, as detailed in Note 13, were charged to 2003 results.

The discount on the placement of bonds is capitalized as a deferred expense and is included in other Assets. The discount is amortized using the straight-line method over the term of the bonds (2012 and 2013). As indicated in note 10, as of June 30, 2003, the balance of this item amounts to ThUS\$9,040 (2004: MUS\$10,565) while the amortization for the period was ThUS\$489 (2004: MUS\$623).

22. STATEMENT OF CASH FLOWS

The detail of supplemental information to the interim consolidated statements of cash flows is as follows:

	Period ended June 30,	
	2003	2004
	ThUS\$	ThUS\$
Incomes taxes paid	<u>98,049</u>	<u>460,532</u>
Contribution to Chilean Government Law N°13,196	<u>124,596</u>	<u>259,189</u>
Interest paid	<u>42,107</u>	<u>54,734</u>

The detail of “other investment income”, included in the cash flows from investment activities is as follows:

	Period ended June 30,	
	2003	2004
	ThUS\$	ThUS\$
Recovery of loans granted to employees	<u>23,840</u>	<u>34,906</u>
Total	<u>23,840</u>	<u>34,906</u>

23. DERIVATIVE CONTRACTS

As of June 30, 2003 and 2004, the Company has contracts in place to fix the interest rates of US dollar-denominated debt obligations with banks and financial institutions. Deferred payments under these contracts amounted to ThUS\$71,607 in 2003 and ThUS\$41,828 in 2004, which are shown in Others under Other Assets (Note 10) and are amortized over the term of the respective obligations, from July 2004 to September 2008.

As of June 30, 2004 the detail is as follows:

Type of Contract	Type of transaction	Description of contracts						Financial statements				
		Maturity		Position		Amount of transaction		Asset/Liability	Name	Amount	Effect in results	
		Contract amount	on expiry	Specific item	Purchase/ sale	Transaction hedged Name	Amount				Realized	Unrealized
FU	CCTE	11,366	June 2005	Copper	P	Copper sales contracts (MTMF)	396,950	249,550	Current asset	7,306	7,306	
S	CCTR	164,482	November 2012	U/F	P	Exchange rate US\$	164,482	187,098	Other asset	20,653	20,653	
S	CCTE	300,000	September 2008	Interest rate	S	Interest rate - hedging	300,000	300,000	Long-term liabilities	2,158	(2,158)	
OE	CCTE	1,036	March 2006	Copper	P	Production (MTMF)	337,250	316,425	Current liabilities	100,978	(100,978)	

CCTE: Hedge of a forecasted transaction

MTMF: Thousands of metric tons of copper

FU: Future; S: Swap, OE: Min-Max Option

24. COMMITMENTS AND CONTINGENCIES

Lawsuits

Codelco is involved in various pending legal actions initiated by, or against, the Company which result from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. In addition, with respect to all such lawsuits, the Company defends its rights and uses all legal and proceeding resources available.

Below is a summary of the most significant lawsuits to which Codelco is a party:

- Tax lawsuits: There are several tax assessments issued by the Chilean Internal Revenue Service for which the Company has presented the corresponding objections.
- Labor lawsuit: Labor lawsuit established by 24 employees against Andina, a Codelco Division, in relation with silicosis.

- Mining Lawsuits: The Company has been involved, and will probably continue to be involved, as a defendant in a number of proceedings, through which it seeks to protect certain mining concessions already established or in process of being established. Currently these proceedings have no determined amounts and do not affect significantly Codelco's development.

Other commitments

The Corporation, following its cost-reduction programs through the use of modern technologies, has established personnel early severance programs, with benefits that encourage retirement, which obligation is recognized as a provision when the employee commits to his/her retirement.

Additional information

The Company has no restrictions or covenants associated with obligations with banks and financial institutions or with the public.

Direct guarantees

Creditor	Debtor	Type of guarantee	Outstanding payments	
			2003	2004
			ThUS\$	ThUS\$
Tesorería General de la República	Codelco Chile	Customs duties	87,738	48,116
Tesorería General de la República	Codelco Chile	Use of fiscal credit	5,949	3,424
Other	Codelco Chile	Accepted guarantees	26,361	40,970

25. SURETIES OBTAINED FROM THIRD PARTIES

The Company has received a number of guarantees that mainly cover obligations of suppliers and contractors related to various projects under development. Considering the large number of guarantees received as of June 30, 2003 and 2004 and the many suppliers and contractors involved, the amounts covered are presented by Division as follows:

	As of June 30,	
	2003	2004
	ThUS\$	ThUS\$
Division:		
Andina	5,547	6,703
Codelco Norte	93,227	101,627
Head Office	20,453	18,261
Salvador	9,081	8,492
El Teniente	60,448	71,594
Total	188,756	206,677

26. ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCIES

Assets and liabilities by currency are as follows:

a. Assets

Item	Currency	As of June 30,	
		2003 ThUS\$	2004 ThUS\$
Cash	Ch\$	72	6,184
Cash	US\$	15,830	1,874
Cash	£	2	6,812
Cash	Euro	102	4,853
Time deposits	Ch\$	890	5,244
Time deposits	US\$	39,141	260,506
Marketable securities	Ch\$	1	304
Trade accounts receivable	Ch\$	23,639	1,770
Trade accounts receivable	US\$	221,006	505,155
Trade accounts receivable	£	532	9,073
Trade accounts receivable	Euro	8,559	30,769
Notes receivable	Ch\$	2,647	125
Other receivables	Ch\$	59,834	69,541
Other receivables	US\$	37,039	27,757
Other receivables	£		105
Other receivables	Euro		67
Due from related companies	US\$	1,292	4,902
Inventories	US\$	596,795	788,267
Recoverable taxes	Ch\$	40,275	20,585
Recoverable taxes	US\$	229,354	52,209
Recoverable taxes	Euro		541
Prepaid expenses	£		105
Prepaid expenses	Ch\$	4,050	10,155
Prepaid expenses	US\$	4,958	5,349
Other current assets	US\$	1,155	1,045
Other current assets	Ch\$	2,981	1,020
Deferred taxes	US\$	32,307	43,655
Deferred taxes	Ch\$		339
Fixed assets – net	US\$	4,882,476	5,305,532
Fixed assets – net	Ch\$	96,779	13,049
Fixed assets – net	Euro	5	3
Fixed assets – net	£	28	17
Investments in related companies	Ch\$	197,263	7,704
Investments in related companies	US\$	86,626	482,580
Investments in related companies	Mexican pesos	1,034	1
Investments in other companies	Ch\$	3,250	375
Investments in other companies	Euro		2,993
Long-term receivables	Ch\$	49,850	80,052
Long-term receivables	US\$	42,961	50,762
Due from related companies	US\$	81,249	82,013
Intangibles	US\$	3,318	11,644
Intangibles	Ch\$		62
Amortization of intangibles	US\$	(1,100)	
Amortization of intangibles	Ch\$		(62)
Other assets	US\$	257,045	345,721
Other assets	Ch\$		1,931
Total assets		7,023,245	8,242,688
	Ch\$	481,531	218,378
	US\$	6,531,452	7,968,971
	£	562	16,112
	Euro	8,666	39,226
	Mexican pesos	1,034	1
Total assets		7,023,245	8,242,688

b. Current liabilities

Item	As of June 30,							
	Up to 90 days				90 days to 1 year			
	2003		2004		2003		2004	
	Currency	Amount ThUS\$	Average annual interest %	Amount ThUS\$	Average annual interest %	Amount ThUS\$	Average annual interest %	Average annual interest %
Banks and financial Institutions	US\$			196,247	1.52	590,578	1.58	
Banks and financial Institutions-current	US\$					201,244	1.66	203,043
Bonds	US\$	8,240		15,343				2.01
Accounts payable	Ch\$	112,785		201,095				
Accounts payable	US\$	87,045		159,679				
Accounts payable	Euro			9,459				
Accounts payable	£			1,670				
Notes payable	US\$	24		975				
Other payables	Ch\$	8,047		10,982				
Other payables	US\$	5,311		44,753				
Other payables	Euro	31		40				
Due to related companies	US\$	19,692		44,602				
Accruals	Ch\$	100,790		127,297				
Accruals	US\$	52,344		80,721				
Accruals	Euro			430				
Withholdings	Ch\$	22,946		66,436				
Withholdings	US\$	23,234		919				
Withholdings	Euro			2,745				
Income taxes	Ch\$			134				
Income taxes	US\$	174		81				
Income taxes	£			38				
Deferred income	US\$	4,901		4,930				
Deferred income	£			318				
Deferred income	Ch\$			72				
Other current liabilities	Ch\$			34				
Other current liabilities	US\$	1,798		628				
Total current liabilities		447,362		969,628		791,822		203,043
	US\$	202,763		548,878		791,822		203,043
	Ch\$	244,568		406,050				
	Euro	31		12,674				
	£			2,026				
Total current liabilities		447,362		969,628		791,822		203,043

c. Long-term liabilities

	June 30, 2003	1 to 3 years		3 to 5 years		5 to 10 years	
		Currency	Amount ThUS\$	Average annual interest %	Amount ThUS\$	Average annual interest %	Amount ThUS\$
Banks and financial institutions	US\$	200,000	1.85	300,000	1.46		
Bonds	US\$					300,000	7.38
Bonds	UF					169,810	3.96
Notes payable	Ch\$			65,582			
Accruals	Ch\$	413,914					
Accruals	US\$	134,994					
Deferred taxes	US\$	984,179					
Other payables	US\$	3,098					
Other liabilities	US\$	209					
Bonds	US\$					435,000	6.38
Total long-term liabilities		<u>1,736,394</u>		<u>365,582</u>		<u>904,810</u>	
	US\$	1,322,480		300,000		735,000	
	Ch\$	413,914		65,582			
	UF					169,810	
Total long-term liabilities		<u>1,736,394</u>		<u>365,582</u>		<u>904,810</u>	
June 30, 2004:		1 to 3 years		3 to 5 years		5 to 10 years	
		Currency	Amount ThUS\$	Average annual interest %	Amount ThUS\$	Average annual interest %	Amount ThUS\$
Banks and financial institutions	US\$	300,000	2.32	600,000	1.87		
Bonds	US\$					1,235,000	6.42
Bonds	UF					187,098	3.96
Notes payable	US\$	91,053					
Other payables	US\$	46,211					
Accruals	Ch\$	562,067					
Accruals	US\$	122,401					
Deferred taxes	US\$	1,043,376					
Other liabilities	US\$	5,811					
Notes payable	Ch\$	1,322					
Total long-term liabilities		<u>2,172,241</u>		<u>600,000</u>		<u>1,422,098</u>	
	US\$	1,608,852		600,000		1,235,000	
	UF					187,098	
	Ch\$	563,389					
Total long-term liabilities		<u>2,172,241</u>		<u>600,000</u>		<u>1,422,098</u>	

27. SANCTIONS

Codelco Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency or other administrative authorities.

28. SUBSEQUENT EVENTS

Company management has no knowledge of other significant events of a financial nature or any other nature which may affect these financial statements and which occurred between June 30, 2004 and the date of their issuance on July 30, 2004.

29. ENVIRONMENT

The practice of exploration and recognition of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company defined its environmental commitments, which are controlled through an environmental management system for explorations that has been improved over time to conform to the worldwide standard ISO 14001, which has assisted in geology, geochemical, geophysical and sounding work directed towards exploration of mineral resources both in Chile and abroad.

On June 30, 2004, Codelco Norte, formed by of the Chuquicamata and Radomiro Tomic, Andina, Salvador and El Teniente Divisions, received ISO 14001 certification. The Head office and exploration management also received ISO 14001 certification.

Exploration management received the certification separately for the relevance and impact of its activities on the environment.

As of June 30, 2003 and 2004, in accordance with this policy, the Company has made investments of ThUS\$16,194 and ThUS\$12,559, respectively, involving environmental issues.

30. MINING SITES

The Company's productive activities are conducted in its Divisions; Codelco Norte, (Chuquicamata and Radomiro Tomic), Salvador, Andina and El Teniente.

These Divisions operate with independent administrative departments which report to the Chief Executive Officer.

The characteristics of each Division are as follows:

Chuquicamata

Type of deposit: Open pit mine
Operation: Since 1915
Location: Calama, Chile's 2nd Administrative Region
Products: SX-EW copper cathodes, and copper concentrate.

Radomiro Tomic

Type of deposit: Open pit mine
Operation: Since 1997
Location: Calama, Chile's 2nd. Administrative Region
Products: SX-EW copper cathodes.

Salvador

Type of deposit: Underground mine
Operation: Since 1926
Location: Salvador, Chile's 3rd Administrative Region
Products: SX-EW copper cathodes, and copper concentrate.

Andina

Type of deposit: Underground mine
Operation: Since 1970
Location: Los Andes, Chile's 5th Administrative Region
Products: Copper concentrate.

El Teniente

Type of deposit: Underground mine
Operation: Since 1905
Location: Rancagua, Chile's 6th Administrative Region
Products: Blister, copper anodes and copper concentrate.

* * * * *

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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US\$	-	United States dollars
ThUS\$	-	Thousands of United States dollars
UF	-	The UF is a Chilean inflation-indexed, peso-denominated monetary unit that is set daily in advance based on the previous month's inflation
Ch\$	-	Chilean pesos
ThCh\$	-	Thousands of Chilean pesos

Report of Independent Auditors

To the Chairman and Members of the
Board Corporación del Cobre de Chile:

We have audited the accompanying consolidated balance sheets of Corporación Nacional del Cobre de Chile and its Subsidiaries (the "Company") as of December 31, 2002, and the related consolidated statements of income and cash flows for each of the two years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

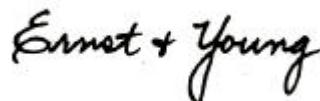
We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corporación Nacional del Cobre de Chile and its Subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the two years in the period ended December 31, 2002 in conformity with generally accepted accounting principles in Chile.

As explained in Note 2, the accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile. The effects of the differences between Chilean generally accepted accounting principles and the accounting principles generally accepted in the United States or other countries in which the accompanying consolidated financial statements may be used have not been quantified. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the countries of users of the consolidated financial statements, other than Chile.

As described in Note 3, starting January 1, 2002, the Company modified the method in which it records foreign currency exchange differences arising from translation of subsidiaries and equity method investments controlled in the Chilean peso.

ERNST & YOUNG LTDA.



Santiago, Chile
February 28, 2003



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INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
Corporación Nacional del Cobre de Chile

We have audited the accompanying consolidated balance sheet of Corporación Nacional del Cobre de Chile (the "Company") and subsidiaries as of December 31, 2003, and the related consolidated statements of income and cash flows for the year then ended. These financial statements (including the related notes) are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on these financial statements based on our audit. We have not audited the financial statements at December 31, 2003, of certain investees and subsidiaries. Those financial statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for such investees and subsidiaries, is based solely on the reports of such other auditors. The direct and indirect investment of the Company in such investees and the total assets reflected by the financial statements of such subsidiaries represent 5.6% of the total consolidated assets, and the year's net equity in earnings of these investees and the total sales reflected by the financial statements of these subsidiaries represent 12.1% of the total consolidated sales.

We conducted our audit in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports from other auditors, such 2003 consolidated financial statements, present fairly, in all material respects, the financial position of Corporación Nacional del Cobre de Chile and subsidiaries as of December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Chile.

The accompanying financial statements have been translated into English for the convenience of readers outside of Chile.

February 6, 2004

Firma miembro de Ernst & Young Global

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2002 AND 2003
 (In thousands of U.S. Dollars -ThUS\$)

ASSETS	2002 ThUS\$	2003 ThUS\$
CURRENT:		
Cash	12,019	15,784
Time deposits	141,214	44,044
Marketable securities	346	16
Trade receivables, net	225,221	354,122
Notes receivables	2,622	1,612
Other receivables, net	132,732	128,588
Due from related companies	21,693	746
Inventories, net	494,579	879,108
Income taxes recoverable	182,834	359,615
Prepaid expenses	7,561	12,070
Deferred taxes		43,547
Other current assets	768	11,811
 Total current assets	 1,221,589	 1,851,063
PROPERTY, PLANT AND EQUIPMENT:		
Land	29,496	30,463
Buildings and infrastructure	5,787,725	6,144,746
Machinery and equipment	5,307,229	5,391,056
Other plant and equipment	2,773	49,431
Technical appraisal revaluation	417,794	383,246
Accumulated depreciation	(6,640,467)	(6,738,263)
 Net property, plant and equipment	 4,904,550	 5,260,679
OTHER ASSETS:		
Investments in related companies	238,449	411,519
Investments in other companies	2,905	3,484
Long-term receivables	63,635	132,088
Due from related companies	80,887	81,729
Intangibles	3,497	4,163
Accumulated amortization	(1,006)	(1,035)
Other assets	218,459	348,110
 Total other assets	 606,826	 980,058
 TOTAL ASSETS	 6,732,965	 8,091,800

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

LIABILITIES AND EQUITY	2002 ThUS\$	2003 ThUS\$
CURRENT LIABILITIES:		
Banks and financial institutions:		
Current	208,927	466,169
Current portion of long-term debt	276,806	203,102
Current portion of bonds payable	8,253	15,507
Accounts payable	247,970	314,257
Short-term notes payable	703	1,181
Miscellaneous payables	18,148	15,579
Due to related companies	20,846	38,406
Accruals	175,301	198,390
Withholdings	46,885	70,462
Income taxes payable	366	353
Deferred income	1,271	2,462
Deferred taxes	19,196	
Other current liabilities	3,005	486
 Total current liabilities	 1,027,677	 1,326,354
LONG TERM LIABILITIES:		
Due to banks and financial institutions	600,000	700,000
Bonds payable	897,643	1,434,461
Long-term notes payable	46,787	87,399
Miscellaneous payables		49,734
Accruals	535,162	630,588
Deferred taxes	887,372	1,035,036
Other long-term liabilities	5,691	4,774
 Total long-term liabilities	 2,972,655	 3,941,992
MINORITY INTEREST		
	(432)	2,035
EQUITY:		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,237,019	1,302,491
Profits distribution to the Chilean Treasury	(76,853)	(94,725)
Net income for the year	48,476	89,230
 Total equity - net	 2,733,065	 2,821,419
TOTAL LIABILITIES AND EQUITY		
	6,732,965	8,091,800

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2003
(In thousands of U.S. Dollars -ThUS\$)

	2001 ThUS\$	2002 ThUS\$	2003 ThUS\$
SALES	3,563,973	3,489,879	3,781,786
COST OF SALES	<u>(2,896,809)</u>	<u>(2,786,942)</u>	<u>(2,781,209)</u>
GROSS PROFIT	667,164	702,937	1,000,577
ADMINISTRATIVE AND SELLING EXPENSES	<u>(138,131)</u>	<u>(159,676)</u>	<u>(167,274)</u>
OPERATING INCOME	<u>529,033</u>	<u>543,261</u>	<u>833,303</u>
NON-OPERATING INCOME (EXPENSES):			
Interest income	10,846	9,473	8,738
Equity in income of related companies	104	4	66,407
Other income	134,855	110,116	101,442
Equity in losses of related companies	(49,083)	(48,712)	(7,136)
Interest expense	(99,570)	(77,046)	(105,842)
Other expenses	(402,516)	(441,565)	(465,509)
Price-level restatement	707	226	(240)
Foreign exchange differences	<u>27,953</u>	<u>32,906</u>	<u>(73,508)</u>
NON-OPERATING EXPENSES - NET	<u>(376,704)</u>	<u>(414,598)</u>	<u>(475,648)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	152,329	128,663	357,655
INCOME TAXES	<u>(126,757)</u>	<u>(81,795)</u>	<u>(269,331)</u>
INCOME BEFORE MINORITY INTEREST	25,572	46,868	88,324
MINORITY INTEREST	<u>2</u>	<u>1,608</u>	<u>906</u>
NET INCOME FOR THE YEAR	<u>25,574</u>	<u>48,476</u>	<u>89,230</u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2003
(In thousands of U.S. Dollars -ThUS\$)

	2001 ThUS\$	2002 ThUS\$	2003 ThUS\$
CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income for the year	25,574	48,476	89,230
(Gain) loss on sale of assets		11,356	(2,178)
Charges (credits) to income which do not represent cash flows:			
Depreciation	372,933	389,699	375,453
Amortization	84,697	106,051	87,680
Write-offs and accruals	278,151	51,266	233,505
Equity in income of related companies	(104)	(4)	(66,407)
Equity in losses of related companies	49,083	48,712	7,136
Price-level restatement	(707)	(226)	240
Foreign exchange differences	(27,953)	(32,906)	73,508
Other credits to income which do not represent cash flows	(52,816)	(33,921)	(44,980)
Minority interest	(2)	(1,608)	(906)
(Increase) decrease in assets which affect operating cash flows:			
Trade receivables	(85,888)	(20,253)	(128,901)
Inventories	90,436	14,693	(384,529)
Other assets	(113,961)	(21,017)	(209,779)
Increase (decrease) in liabilities which affect operating cash flows:			
Accounts payable associated with operating activities	101,371	(3,336)	81,756
Interest payable	(11,952)	3,892	7,333
Income tax payable	(3,115)	320	(13)
Value added tax and other similar taxes payable, net	(590)	27,698	26,142
Net cash provided by operating activities	<u>705,157</u>	<u>588,892</u>	<u>144,290</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loans obtained	1,290,416	550,258	1,272,000
Bonds payable		597,643	500,000
Profits distribution to the Chilean treasury	(102,409)		(50,000)
Loan repayment	(1,155,000)	(660,000)	(1,022,000)
Other disbursements for financing	(24,197)		
Net cash provided by financing activities	<u>8,810</u>	<u>487,901</u>	<u>700,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment		542	1,033
Proceeds from sales of permanent investments		2,552	
Proceeds from sales of other investments	24,073		3,728
Payments received on employee loans	29,756	29,329	56,909
Other loans received from related companies	28,050		
Purchases of property, plant and equipment	(585,754)	(843,981)	(894,997)
Investments in related companies	(38,315)	(62,579)	(22,723)
Payment of collective bargaining bonus	(49,852)		
Other investment disbursements	(97,383)	(85,740)	(81,975)
Loans granted to related companies	(39,503)		
Net cash used in investing activities	<u>(728,928)</u>	<u>(959,877)</u>	<u>(938,025)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(14,961)</u>	<u>116,916</u>	<u>(93,735)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>51,624</u>	<u>36,663</u>	<u>153,579</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>36,663</u>	<u>153,579</u>	<u>59,844</u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (In thousands of US dollars - ThUS\$)

1. DESCRIPTION OF BUSINESS

Corporación Nacional del Cobre de Chile, Codelco - Chile (“Codelco” or the “Company”) is registered under the Securities Registry No. 785 of the Superintendency of Securities and Insurance (“Superintendency”). The Company is subject to the regulation of the Superintendency.

The Company was formed as stipulated by Law Decree (D.L.) N°1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a legal entity in itself and with its own equity. Codelco currently carries out its mining business through its Codelco Norte, Salvador, Andina, El Teniente and Talleres Divisions. The Company also carries out similar activities in other mining deposits in association with third parties.

Codelco’s financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

The Company’s tax regime is established in D.L. Nos. 1,350 and 2,398.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting periods – These consolidated financial statements reflect financial position of the Company and its subsidiaries as of December 31, 2002 and 2003, and the results of their operations and cash flows for the three years in the period ended December 31, 2003.

b. Basis of preparation - The consolidated financial statements have been prepared in accordance with generally accepted accounting principles issued by the Chilean Association of Accountants, and regulations of the Superintendency.

Should there be any discrepancy between the above mentioned principles and regulations, the regulations of the Superintendency will prevail over accounting principles generally accepted in Chile.

c. Reporting currency - In accordance with Article 26 of D.L. N°1,350, the Company’s records are maintained in United States dollars.

d. Basis of consolidation - In accordance with the regulations of the Superintendency and Technical Bulletins issued by the Chilean Association of Accountants, the consolidated financial statements of the Company and its subsidiaries include the assets, liabilities, results of operations, and cash flows of the Company and its following subsidiaries:

Entity	Equity investment				
	12/31/2001	12/31/2002	12/31/2003	Direct	Indirect
	Total %	Total %	%	%	Total %
Chile Copper Limited - England	100.0000	100.0000	99.9900	0.0100	100.0000
Codelco Group USA Inc. - United States	100.0000	100.0000	99.9900	0.0100	100.0000
Codelco International Limited - Bermuda	100.0000	100.0000	99.9900	0.0100	100.0000
Codelco Kupferhandel GMHB - Germany	100.0000	100.0000	99.9900	0.0100	100.0000
Codelco Services Limited - England	100.0000	100.0000	0.0000	100.0000	100.0000
Metall Agentur GMBH - Germany	100.0000	100.0000	0.0000	100.0000	100.0000
Codelco Metals Inc. - United States	100.0000	100.0000	0.0000	100.0000	100.0000
Codelco Technologies Ltd. - Bermuda	100.0000	100.0000	0.0000	100.0000	100.0000
Codelco do Brasil Mineracao S.A. - Brazil	100.0000	100.0000	0.0000	100.0000	100.0000
Taraguaca S.A. - Brazil	51.0000	51.0000	0.0000	0.0000	0.0000
Compañía Minera Píccacho SCM	100.0000	100.0000	99.9900	0.0100	100.0000
Compañía Contractual Minera Los Andes	100.0000	100.0000	99.9700	0.0300	100.0000
Isapre Chuquicamata Limitada	98.3000	98.3000	98.3000	0.0000	98.3000
Elaboradora de Cobre Chilena Limitada	100.0000	100.0000	99.0000	1.0000	100.0000
Asociación Garantizadora de Pensiones	96.6900	96.6900	96.6900	0.0000	96.6900
Isapre San Lorenzo Limitada	99.9500	99.9500	99.9500	0.0000	99.9500
Isapre Río Blaco Limitada	100.0000	100.0000	99.9900	0.0100	100.0000
CMS - Chile Sistema y Equipos Mineros S.A.	100.0000	100.0000	99.9900	0.0100	100.0000
Ejecutora Proyecto Hospital del Cobre Calama	100.0000	100.0000	99.9900	0.0100	100.0000
Complejo Portuario Mejillones S.A.	100.0000	100.0000	99.9000	0.1000	100.0000
Intituto de Innovación en Minería y Metalúrgica S.A.	99.9300	99.9300	99.9300	0.0000	99.9300
Santiago de Río Grande S.A.	100.0000	100.0000	99.9800	0.0200	100.0000
CMS Tecnología S.A.	100.0000	100.0000	17.5000	82.5000	100.0000
Sociedad Geotérmica del Norte S.A.	50.0100	50.0100	50.0100	0.0000	50.0100
Biosigma S.A.	0.0000	66.6700	66.6700	0.0000	66.6700
Fundición Talleres S.A.	0.0000	0.0000	99.9999	0.0001	100.0000

The consolidated financial statements take into account the elimination of balances, significant intercompany transactions and unrealized gains between consolidated companies, including foreign and local subsidiaries and the participation of minority investors has been recorded as minority interest in the consolidated financial statements.

Notwithstanding that the subsidiary Complejo Portuario Mejillones S.A. was in its development stage until December 31, 2003, it has been included in the consolidation.

Given that the Company does not have control of the management of Electroandina S.A. and Inversiones Mejillones S.A., and that, in accordance with generally accepted accounting principles in Chile the conditions required to include these subsidiaries are not met, they have not been included in the consolidation.

- Electroandina S.A.

Codelco directly owns 34.8% of Electroandina S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco has an ownership interest of 49% and its strategic partner Tractebel Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Electroandina S.A.

- Inversiones Mejillones S.A.

Codelco directly owns 34.8% of Inversiones Mejillones S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco has a 49% interest and its strategic partner Tractebel Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Inversiones Mejillones S.A.

e. Constant currency restatement - The financial statements of the Chilean subsidiaries, which keep their accounting records in Chilean pesos, have been price-level restated to recognize the effects of the variation in the currency's purchasing power during each year. In line with this, restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for each of the years ended December 31, 2001, 2002 and 2003 were 3.1%, 3.0% and 1.0%, respectively.

f. Basis of conversion - The Company's assets and liabilities in pesos, mainly composed of cash, accounts receivable, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each year-end of Ch\$656.20 per US dollar as of December 31, 2001, Ch\$718.61 per US dollar in 2002 and Ch\$593.80 per US dollar in 2003.

UF-Denominated Assets and Liabilities

At December 31, 2001, 2002 and 2003, assets and liabilities denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$/UF rates effective on the closing dates of the financial statements (2001: US\$24.84000; 2002: US\$23.30071; 2003: US\$28.49444).

The Company's income and expenses in Chilean pesos have been translated into US dollars at the observed exchange rate on the date on which each transaction was recorded in the accounting records.

Foreign exchange differences are debited or credited to income, in accordance with generally accepted accounting principles issued by the Chilean Association of Accountants and regulations of the Superintendency.

The average exchange rates in the years ended December 31, 2001, 2002 and 2003 were Ch\$634.28, Ch\$689.24 and Ch\$691.54 per US dollar.

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of December 31, 2001, 2002 and 2003 have been translated into US dollars at the exchange rates on those dates (2001: Ch\$656.20 per US dollar, 2002: Ch\$718.61 per US dollar, 2003: Ch\$593.80 per US dollar).

Foreign subsidiaries

As of December 31, 2001, 2002 and 2003, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the exchange rates as of the respective year-end, as follows:

	2001 US\$	2002 US\$	2003 US\$
Pound Sterling – UK	1.45370	1.60436	1.77873
Euro		1.04723	1.25455
Mexican peso	0.10931	0.09626	0.08909
Deutsche Mark (1)	0.45163		

(1) Beginning on January 1, 2002, this currency started being expressed in the Euro.

g. Time deposits - Time deposits are recorded at cost plus interest accrued at each year-end.

h. Marketable securities - Marketable securities include mutual fund units stated at market value and certain other instruments defined as marketable securities stated at the lower of cost or market value, in accordance with accounting principles generally accepted in Chile.

i. Inventories - Inventories are valued at cost, which does not exceed their net realizable value. Cost has been determined using the following methods:

- Finished products and products in process

Following the full-cost absorption method, finished products and products in process are valued at average production cost. Production costs include depreciation of property, plant and equipment and indirect expenses.

- Materials in warehouse

Materials in warehouse are valued at acquisition cost.

The Company calculates an obsolescence provision depending on the length of time in stock of slow turnover materials in warehouse.

- Materials in transit

Materials in transit are valued at cost incurred.

j. Allowance for doubtful accounts - Management estimates the allowance for doubtful accounts based on its experience and analysis, as well as the aging of the balances.

k. Property, plant and equipment - Property, plant and equipment are valued at historical cost as increased by technical appraisals performed by The American Appraisal Co. during 1982 to 1984, net of accumulated depreciation.

Construction in progress includes the amounts invested in property, plant and equipment under construction and in mining development projects.

Codelco does not capitalize interest.

l. Depreciation - Depreciation of property, plant and equipment is calculated on the book values of property, plant and equipment, including the revaluation mentioned in Note 2(k) above, using the straight-line method, and is booked in accordance therewith over the estimated useful lives of the assets.

m. Exploration, mine development and mine operating costs

- Deposit exploration and drilling costs

Deposit exploration and drilling costs are incurred in the identification of mineral deposits and the determination of their possible commercial viability and are charged to income as incurred.

- Mine pre-operating and development costs

Costs incurred during the development phase of projects up to the production stage are capitalized and amortized over future mineral production. These costs include extraction of waste material, constructing the mine's infrastructure and other work carried out prior to the production phase.

- Costs of developing existing mines

These costs are incurred for the purpose of maintaining the production volumes from deposits and are charged to income as incurred.

- Costs of delineating new deposit areas in exploitation and of mining operations

These costs are recorded in property, plant and equipment and are amortized to income in the period in which the benefits are obtained.

n. Leased assets - Property, plant and equipment recorded by the subsidiaries under finance leasing contracts are recorded as other plant and equipment. These assets have been valued at their current value applying the implicit interest rate in the contracts and are depreciated using the straight-line method based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

o. Investments in related companies - Investments in domestic and foreign related companies, identified as permanent, are valued using the equity method in accordance with Technical Bulletins issued by the Chilean Association of Accountants. Equity method investments in domestic companies, which are accounted for in Chilean pesos are expressed in US dollars at the year-end exchange rate. From January 1, 2002, differences which arise and are unrelated to the recognition of income are recognized in Other reserves in Equity. In applying the equity method, investments in foreign subsidiaries are expressed in US dollars.

Unrealized gains related to investments in related companies are credited to income at the same rate as the amortization of the transferred assets or mine production, as applicable.

p. Investments in other companies - The item "Investments in other companies" represents the value of the shares the Company has been required to acquire for its operations. These are recorded at cost, which does not exceed market value.

q. Intangibles - Intangibles are recorded at the amount of the disbursements made and are amortized in accordance with Technical Bulletin N° 55 issued by the Chilean Association of Accountants.

r. Income tax and deferred income taxes - The Company provides for income taxes in accordance with current regulations, including the first category tax and an additional 40% tax applied to state-owned entities as specified by D.L. N° 2,398. Law N° 19,753 established a progressive increase in the first category tax rate to 16% for 2002, 16.5% for 2003 and 17% for 2004 and thereafter.

The Company recognizes the effects of deferred income taxes arising from temporary differences, which have a different treatment for book and tax purposes, in accordance with the Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency.

s. Severance indemnities and other long-term benefits - The Company has an agreement with its employees for payment of severance indemnities. It is the Company's policy to provide for the total accrued obligation under the shut-down method.

The Company, following its cost-reduction programs through the use of modern technologies, has established personnel severance programs, with benefits that encourage retirement, for which the necessary provisions are made when the employee commits to his/her retirement.

t. Revenue recognition - Revenue is recognized at the time of shipment or delivery in conformity with contractual agreements and is subject to variations in contents and/or the sales price at the transaction settlement date. A provision is made for estimated decreases in sales values on unsettled operations at the end of the period based on the information available as of the date the financial statements are prepared. Sales in Chile are recorded in accordance with Chilean regulations.

u. Derivative contracts - The Company's derivatives contracts are entered into based on the following hedging policies:

Hedging operations, which have to be approved by the Board of Directors, in metal futures markets are carried out in order to protect the Company from risks inherent to the fluctuation of the price of metals. The hedging policy seeks to protect the expected product sales cash flows from sale of products. With the transactions that are carried out, the Company takes advantage of the opportunities provided by the market, implying a reduced possibility of risk for the Company. In accordance with the provisions of the Technical Bulletin No. 57 issued by the Chilean Association of Accountants, the results of these hedging transactions are recorded at the settlement date of the operations, as part of the procedures of the settlement of sale of the products. In other words, the Company conducts these futures operations in order to adjust the sales contracts to the commercial policy. The settlement of these operations agrees coincides with the accounting for corresponding transactions and, therefore, when sales commitments are fulfilled, sales contracts' and future contracts' results are offset.

- Hedging policies for exchange rates and interest rates.

Exchange rate hedges include contracts which mitigate the risk of fluctuations between the UF and the US\$ exchange rate, to which the Company is exposed as a result of its outstanding UF-denominated bonds.

Interest rate hedges include contracts at fixed interest rates for future obligations denominated in US dollars at variable interest rates.

The results of the exchange rate hedging contracts are recorded as of the date of maturity or settlement of the respective contracts, in conformity with Technical Bulletin No. 57 issued by the Chilean Association of Accountants.

The results of the hedging contracts for interest rates for future liabilities are amortized over the term of those liabilities.

Hedging operations carried out by the Company are not of a speculative nature.

v. Computer software - The costs associated with computer systems developed using the Company's own human resources and materials are charged to income in the period in which they are incurred.

In accordance with Circular N°981 dated December 28, 1990 of the Superintendency, computer systems acquired by the Company are capitalized at acquisition cost plus all related costs, and are amortized over a period not exceeding four years.

w. Research and development expenses - Research and development expenses are charged to income as incurred.

x. Statement of cash flows - Cash and cash equivalents includes unrestricted cash and bank balances, time deposits and as short-term marketable securities maturing within 90 days, in accordance with Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency.

The Company has recognized cash flows from operating, investing or financing activities as required by Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency.

y. Bonds - Bonds are presented at outstanding principal plus accrued interest at each year-end. The discount on bond issuance is capitalized as deferred expenses, included in Other under Other Assets, and is amortized using the straight-line method over the term of the bonds.

z. Environmental exit costs - The Company has established a policy of accruing for future environmental exit costs, which mainly relate to tailing dams, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the allocation of a mine's environmental exit costs during its exploitation stage.

aa. Law N° 13,196 - Law No. 13,196 requires the payment of a 10% contribution to the Chilean Government on the export value of copper production and related by-products. The amount is included in the item Other Expenses in the statements of income.

ab. Cost of sales - The cost of sales includes direct and indirect costs and depreciation and amortization related to the production process.

ac. Bond issuance cost - Bond issuance cost is charged to the year's results, as established in Circular N° 1,370 dated January 30, 1998 of the Superintendency.

ad. Reclassifications - Certain 2001 and 2002 figures have been reclassified for comparative purposes with 2003 figures.

3. CHANGES IN ACCOUNTING PRINCIPLES

In accordance with Technical Bulletin No. 64 issued by the Chilean Association of Accountants, beginning January 1, 2002, foreign currency exchange differences arising from translation of subsidiaries and equity method investments are recorded in equity in a cumulative reserve account. Previously, such exchange differences were recognized in income. The effect of this change in accounting principle was to recognize a lesser charge to income for the year ended as of December 31, 2002 in the amount of ThUS\$15,352.

With respect to the prior years, from January 1 to December 31, 2003, there were no other change in accounting policies and accounting criteria described in Note 2.

4. CURRENT AND LONG-TERM RECEIVABLES

Current and long-term accounts receivable, notes and other receivables and related allowances for doubtful accounts as of each December 31, are as follows:

	Current						Long-term			
	Less than 90 days		90 days to 1 year		Total					
	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$				
Trade receivables	227,556	355,422			227,556	355,422				
Allowance for doubtful accounts					(2,335)	(1,300)				
Total					225,221	354,122	-	-		
Notes receivable	2,622	1,612			2,622	1,612				
Other receivables	33,110	31,090	113,698	106,784	146,808	137,874	63,635	132,088		
Allowance for doubtful accounts					(14,076)	(9,286)				
Total					132,732	128,588	63,635	132,088		

Current and long-term accounts receivable, notes and other receivables by geographical segment as of December 31, 2002 and 2003 are as follows:

Country / Region	As of December 31,			
	2002		2003	
	ThUS\$	%	ThUS\$	%
Chile	224,529	52.93	300,290	48.72
Europe and Africa	96,575	22.77	156,845	25.44
Asia	82,701	19.50	147,730	23.97
North America	20,405	4.80	8,648	1.40
Rest of South America			2,897	0.47
Total	424,210	100.00	616,410	100.00

5. TRANSACTIONS WITH RELATED COMPANIES

The Company's policies for transactions with related companies are specifically defined by the Company's Board of Directors and regulated by Company management. The Company, acting in accordance with current applicable regulations and within the normal scope of its business, conducts transactions with related entities or parties, at arm's length, which are similar to those usually prevailing in the market when they are carried out.

Accounts receivable from related companies are expressed in United States dollars and subject to interest rates which do not exceed market rates.

The principal transactions with related companies relate to commercial and financial operations. Commercial operations refer to the purchase and sale of products or services and financial operations refer mainly to loans in current accounts which are subject to inflation restatements and interest under the agreed upon contract conditions.

a. Notes and accounts receivable from related companies:

Company name	As of December 31,			
	Current		Long-term	
	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$
Minera Pecobre S.A. de C.V .	902	61		
Sociedad Contractual Minera El Abra	20,508	586	35,487	36,329
Electroandina S.A.	244	87	45,400	45,400
Agua de La Falda S.A.	39	11		
Inversiones Mejillones S.A.		1		
Total	21,693	746	80,887	81,729

b. Notes and accounts payable to related companies:

Company name	As of December 31,			
	Current		Long-term	
	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$
Sociedad Contractual Minera El Abra	8,955	23,395		
Electroandina S.A.	11,891	12,541		
Distrinor S.A.		2,470		
Total	20,846	38,406	-	-

c. Transactions - An analysis of the major transactions with related companies is as follows:

Company name	Relation	Description of the transaction	As of December 31,					
			2001		2002		2003	
			Amount ThUS\$	Effect on income ThUS\$	Amount ThUS\$	Effect on income ThUS\$	Amount ThUS\$	Effect on income ThUS\$
Minera Pecobre	Investee	Other expenses					49	(49)
		Investments			2,683		2,638	
Inveriones Tocopilla Ltda	Investee	Investments			20,435			
S.C. Minera El Abra	Investee	Additional paid in capital	139,187	(139,187)	170,224	(170,224)	177,106	(177,106)
		Sale of copper	26,764	26,764	175,477	175,477	42,336	42,336
		Interest income			1,052	1,052	842	842
Electroandina S.A.	Investee	Purchase of electricity	127,225	(127,225)	117,964	(117,964)	141,002	(141,002)
		Interest income			1,006	1,006	1,267	1,267
Agua de La Falda S.A.	Investee	Sale of services	641	641	345	345	234	234
Inversiones Mejillones S.A.	Investee	Investments			22,263			

6. INVENTORIES

The breakdown of inventories is as follows:

	As of December 31,	
	2002	2003
	ThUS\$	ThUS\$
Finished products	210,680	560,126
Work in progress	171,396	164,535
Materials in warehouse and others	<u>112,503</u>	<u>154,447</u>
Total	<u>494,579</u>	<u>879,108</u>

The value of inventories is presented net of the obsolescence allowance for materials in warehouse of ThUS\$31,061 and ThUS\$34,300 as of December 31, 2002 and 2003, respectively.

7. INCOME AND DEFERRED TAXES

a. Deferred tax:

In accordance with Law No. 19,753 and Technical Bulletin No. 71 issued by the Chilean Association of Accountants, the Company has recognized the effects of the increase in the tax rate of first category income tax. Deferred taxes calculated under the criteria in Note 2 (r) represent a net liability of ThUS\$906,568 and ThUS\$991,489 as of December 31, 2002 and 2003, respectively.

b. Income tax:

At December 31, 2002 and 2003, the provision for first category income tax required by D.L. No. 2,398 amounted to ThUS\$3,291 and ThUS\$124,281, respectively, and is shown net of estimated monthly payments of taxes and of other tax credits in income taxes recoverable in current assets.

In the subsidiaries, this income tax provision amounted to ThUS\$830 in 2002 and ThUS\$663 in 2003 and is shown in income tax payable net of estimated monthly tax payments and other tax credits.

c. Deferred taxes:

Temporary differences	As of December 31,							
	2002				2003			
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
	Current ThUS\$	Long-term ThUS\$	Current ThUS\$	Long-term ThUS\$	Current ThUS\$	Long-term ThUS\$	Current ThUS\$	Long-term ThUS\$
Allowance for doubtful accounts	4,094	7,130			2,102	5,893		
Unearned revenue					3,151			
Vacation accrual	25,887				32,020			
Depreciation of fixed assets		10	92,831	1,099,494				1,247,304
Other	7,277	30,814	880	5,190	472	3,105		126
Obsolescence provisions	17,535						19,551	
Contingencies		38,326					16,021	
Environmental exit costs provision		40,885					41,228	
Hedging of bonds			5,951	27,457				26,759
Collective bargaining bonus				15,456				26,555
Unrealized gains	25,673	143,060					143,562	
Domestic and foreign bonds								6,378
Special retired employees plan					5,802	20,600		
Medical plan						22,126		
Total	80,466	260,225	99,662	1,147,597	43,547	272,086	-	1,307,122

d. Income tax (expense):

Item	Year-ended December 31,		
	2001		
	ThUS\$	2002	2003
Current tax		(2,186)	(4,121)
Deferred tax		(177,412)	(77,674)
Other credits	<u>52,841</u>		<u>(59,466)</u>
Total	<u>(126,757)</u>	<u>(81,795)</u>	<u>(269,331)</u>

8. PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

a. Property, plant and equipment

	As of December 31,	
	2002	2003
	ThUS\$	ThUS\$
Land		
Land	29,338	30,305
Mining rights	158	158
Subtotal	<u>29,496</u>	<u>30,463</u>
Buildings and infrastructure		
Infrastructure	1,760,642	1,720,386
Buildings	1,834,714	1,842,661
Housing	128,573	128,482
Construction in progress	873,677	1,124,113
Development of mines and mining operations	1,125,958	1,209,895
Forestation and forest development	900	900
Buildings and infrastructure of subsidiaries	<u>63,261</u>	<u>118,309</u>
Subtotal	<u>5,787,725</u>	<u>6,144,746</u>
Machinery and equipment		
Machinery and equipment	4,677,701	4,743,111
Transportation equipment	593,370	603,403
Furniture and fixtures	26,872	26,558
Machinery and equipment of subsidiaries	<u>9,286</u>	<u>17,984</u>
Subtotal	<u>5,307,229</u>	<u>5,391,056</u>
Leased assets	2,178	49,354
Other assets of subsidiaries	<u>595</u>	<u>77</u>
Subtotal	<u>2,773</u>	<u>49,431</u>
Technical appraisal revaluation		
	<u>417,794</u>	<u>383,246</u>
Total gross property, plant and equipment	<u>11,545,017</u>	<u>11,998,942</u>

b. Accumulated depreciation

	As of December 31,	
	2002	2003
	ThUS\$	ThUS\$
Buildings and infrastructure		
Infrastructure	1,413,037	1,242,929
Buildings	1,245,534	1,287,072
Housing	169,791	171,952
Development of mines and mining operations	<u>492,890</u>	<u>525,401</u>
Subtotal	<u>3,321,252</u>	<u>3,227,354</u>
Machinery and equipment		
Machinery and equipment	2,961,342	3,113,075
Transportation equipment	327,016	365,072
Furniture and fixtures	<u>25,152</u>	<u>25,158</u>
Subtotal	<u>3,313,510</u>	<u>3,503,305</u>
Other plant and equipment		
Leases	<u>430</u>	<u>430</u>
Accumulated depreciation - subsidiaries	<u>5,705</u>	<u>7,174</u>
Total accumulated depreciation	<u>6,640,467</u>	<u>6,738,263</u>

c. Depreciation for the year

	Year-ended December 31,	
	2002 ThUS\$	2003 ThUS\$
Buildings and infrastructure		
Infrastructure	66,387	62,418
Buildings	59,126	59,311
Housing	2,582	2,516
Development of mines and mining operations	<u>97,121</u>	<u>87,680</u>
Subtotal	<u>225,216</u>	<u>211,925</u>
Machinery and equipment		
Machinery and equipment	214,082	202,002
Transportation equipment	45,810	46,805
Furniture and fixtures	<u>336</u>	<u>330</u>
Subtotal	<u>260,228</u>	<u>249,137</u>
Other plant and equipment		
Leases	<u>430</u>	<u>430</u>
Subtotal	<u>-</u>	<u>430</u>
Depreciation and amortization in subsidiaries	<u>10,306</u>	<u>1,641</u>
Total depreciation and amortization for the year	<u>495,750</u>	<u>463,133</u>

d. Technical appraisal revaluation

As of December 31, 2002	Technical appraisal revaluation			
	Property, plant and equipment	Accumulated depreciation	Depreciation for the year	Property, plant and equipment, net
	ThUS\$	ThUS\$	ThUS\$	
Building	129,924	115,118	3,960	14,806
Transportation equipment	850	732	9	118
Housing	58,284	49,477	1,797	8,807
Machinery	14,063	12,851	326	1,212
Furniture and fixtures	26	25	1	1
Infrastructure	<u>214,647</u>	<u>186,979</u>	<u>3,262</u>	<u>27,668</u>
Total	<u>417,794</u>	<u>365,182</u>	<u>9,355</u>	<u>52,612</u>

Technical appraisal revaluation				
As of December 31, 2003	Property, plant and equipment ThUS\$	Accumulated depreciation ThUS\$	Depreciation for the year ThUS\$	Property, plant and equipment, net ThUS\$
Building	113,143	102,221	3,419	10,922
Transportation equipment	850	741	9	109
Housing	56,845	49,802	1,742	7,043
Machinery	10,575	9,660	252	915
Furniture and fixtures	26	25		1
Infrastructure	201,807	176,983	2,836	24,824
Total	383,246	339,432	8,258	43,814

e. Other plant and equipment

Other plant and equipment includes assets acquired under capital leases as follows:

	As of December 31,	
	2002 ThUS\$	2003 ThUS\$
Assets:		
Buildings		<u>49,354</u>
Total	<u>-</u>	<u>49,354</u>
Accumulated depreciation:		
Buildings		<u>430</u>
Total	<u>-</u>	<u>430</u>

Additional information

The assets acquired under financial leases, are classified as other fixed assets, and have the following characteristics:

Annual interest rate	: varies between 4.67% and 11.27%
Contract currency	: UF
Amortization period	: Between 188 and 291 months, including purchase option
Principal	: UF 1,777,723

9. INVESTMENTS IN RELATED COMPANIES

In general, the Company's foreign subsidiaries facilitate the commercial activity of the Company in foreign markets.

The Company has not assumed any liabilities as hedging instruments to cover its foreign investments.

Additional information:

- Agua de la Falda S.A.

In 1996, Agua de la Falda S.A. was formed by Codelco (49%) and Minera Homestake (51%).

The company's business objective is the exploration and exploitation of gold and other ore deposits in Region III of Chile.

- Minera Pecobre S.A. de C.V.

Minera Pecobre S.A. de C.V. is a Mexican company formed by the Mexican company Minas Peñoles S.A. de C.V. and Codelco, with share holdings of 51% and 49%, respectively.

The company's line of business is the exploration of copper and by-products in mining area concessions in the state of Sonora, Mexico. Through other mining companies, the company also explores, processes and disposes of ore found in the mining areas.

- Inversiones Tocopilla Ltda. and Electroandina S.A.

Inversiones Tocopilla Ltda. is a holding company in which Tractebel Andino S.A. has a 51% interest and Codelco 49%.

The principal business of Electroandina S.A., a publicly-traded company, is the generation, transmission and distribution of electric energy in Region II of Chile. Inversiones Tocopilla Ltda. holds 65.2% and Codelco holds 34.8%. The main assets of Electroandina S.A. were acquired from the Company's former Tocopilla Division.

- Sociedad Contractual Minera El Abra

Sociedad Contractual Minera El Abra was formed in 1994 by Codelco (49%) and Cyprus El Abra Company (51%), with Cyprus Amax Minerals Company as a guarantor, both linked to the Phelps Dodge mining consortium, to develop and exploit the El Abra deposit.

Codelco's investment in the project consisted of the contribution of a number of mining properties. The financing agreements for the project became effective June 15, 1995 and include the following obligations during the term of the agreements:

- a) A long-term trading agreement with Codelco Services Ltd. for a portion of the production of El Abra.
- b) The commitment from the partners to maintain majority ownership of the property of Sociedad Contractual Minera El Abra.
- c) A pledge on the ownership rights of Sociedad Contractual Minera El Abra in favor of the lending institutions.
- Inversiones Mejillones S.A.

Inversiones Mejillones S.A. was formed on March 20, 2002, with direct ownership of 34.8% by Codelco and 65.2% by Inversiones Tocopilla Ltda.. Codelco owns 49% of the capital of Inversiones Tocopilla Ltda.

Inversiones Mejillones S.A., was formed with the objective of acquiring 82.34% of the shares of Empresa Eléctrica del Norte S.A. (Edelnor), rescheduling its financial obligations and coordinating the operations between Electroandina S.A. (of which Codelco and Inversiones Tocopilla Ltda. are partners) and Edelnor.

- Sociedad Contractual Minera Puren

Sociedad Contractual Minera Puren was formed on September 23, 2003 by Codelco and Compañía Minera Mantos de Oro, with shareholdings of 35% and 65%, respectively.

The Company's objective is the exploration, prospecting, research, development and exploitation of mining projects.

Additional information on unrealized gains:

The Company has recorded unrealized gains on the contribution of mining properties, property, plant and equipment and ownership rights.

The most significant transactions are detailed as follows:

- Sociedad Contractual Minera El Abra

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. At December 31, 2002, a gain of ThUS\$6,937 (ThUS\$20,289 in 2003) was recognized.

- Electroandina S.A.

There is an unrealized gain on the contribution of fixed assets in 1996. The gain will be recognized over ten years through 2006. At December 31, 2002, a gain of ThUS\$18,159 (ThUS\$18,159 in 2003) was recognized.

- Inversiones Tocopilla Ltda.

There is an unrealized gain on the initial contribution of ownership rights in 1996. The gain will be recognized over ten years through 2006. At December 31, 2002, a gain of ThUS\$6,531 (2003, ThUS\$6,531) was recognized.

The detail of investments is as follows:

Company	Number of shares	As of December 31,							
		Percentage owned		Equity in income (loss)		Unrealized gain		Book value of the investment	
		2002 %	2003 %	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$
Agua de La Falda S. A.	17,052	49.00	49.00	(151)	(1,431)			5,987	4,557
Minera Pecobre S.A. de C. V.	481,794	49.00	49.00	(2,354)	(2,240)			559	902
Electroandina S.A.	126,319,895	34.80	34.80	(529)	10,625	57,503	39,344	41,133	89,407
Inversiones Tocopilla Ltda.		49.00	49.00	(5,677)	19,114	20,684	14,152	105,786	155,016
S.C. Minera El Abra	49,000	49.00	49.00	(38,995)	15,844	217,714	197,425	52,431	88,564
Minera Yabricoya SCM		45.00		4	(12)			45	
Inversiones Mejillones S.A.	18,671	34.80	34.80	(300)	20,824			22,180	45,441
Quadrem International Holdings Ltd.	1,319,797	6.00	6.00		(1,407)			519	745
Soc. Contractual Minera Puren	350			35.00			942		74
Alliance Copper Limited	36,600,000	50.00	50.00	(706)	(2,046)	5,000	5,000	9,809	26,813
Total						300,901	256,863	238,449	411,519

10. OTHER ASSETS

Other assets are as follows:

	As of December 31,	
	2002	2003
	ThUS\$	ThUS\$
Filling of plant with reactives (1)	16,263	15,012
Interest rate hedging (2)	58,610	46,945
Deferred expenses collective bargaining (3)	27,116	46,589
Complementary activities (4)	30,981	55,857
Discount on bonds (5)	9,529	11,189
Nueva Calama integration project (6)	74,037	134,924
Hedging - exchange rates (7)		34,979
Other	1,923	2,615
Total other assets	218,459	348,110

(1) Corresponds mainly to expenses for filling of the Radomiro Tomic Division Leaching Plant, which are amortized over five years.

- (2) Corresponds to variations in hedging operations on interest rates related to bond obligations, which are amortized using the straight-line method over the terms of the respective obligations up to September 2008.
- (3) Corresponds to the bonus for completion of collective bargaining, which is amortized over the term of each collective bargaining agreement.
- (4) Corresponds to disbursements related to improvements to tailing dams and hydro and geological activities, which are amortized over a maximum period of 6 years, depending on the related activity.
- (5) Corresponds to bond discount on issuances made in Chile and United States. These are amortized using the straight-line method over the term of these bonds to the maturity dates (2012 and 2013).
- (6) Corresponds to expenses incurred in moving the camp from Chuquicamata to Calama City and development of the mine, by the extension of waste tips and by improvement of the environmental conditions in the camp.
- (7) Corresponds to the net account receivable in connection with hedging contracts on exchange rates entered into to protect the Company against future variation of the US\$/UF rate applicable to the UF-denominated bonds.

11. CURRENT DEBT DUE TO BANKS AND FINANCIAL INSTITUTIONS

a. Current obligations

Bank or financial institution	Currency	As of December 31,	
		2002 ThUS\$	2003 ThUS\$
San Paolo Imi SPA	US\$	25,116	45,033
Banco Santander Santiago	US\$		30,014
SCH Overseas Bank Inc.	US\$		100,052
Banco Bilbao Vizcaya	US\$		50,029
The Bank of Tokyo-Mitsubishi	US\$	35,117	
ANZ Bank	US\$		45,013
Dresdner Bank	US\$		30,027
The Royal Bank of Canada	US\$	50,526	50,039
Toronto Dominion Bank	US\$	35,000	
Banco de Chile	US\$	30,069	80,062
CorpBanca	Ch\$	175	
ABN Amro Bank (Chile)	US\$	30,189	
Others	US\$	2,735	35,900
 Total		208,927	466,169
 Principal outstanding	US\$	207,826	465,900
 Annual average interest rate		1.99%	1.45%
 Percentage of obligations in foreign currency (1)		99.92%	100%
 Percentage of obligations in local currency		0.08%	-

- (1) Obligations in US dollars have been considered as foreign currency for the purposes of this disclosure.

b. Current portion of long-term obligations

Bank or financial institution	Currency	As of December 31,	
		2002 ThUS\$	2003 ThUS\$
JP Morgan – The Chase Manhattan Bank	US\$	276,806	200,828
Citibank N.A.	US\$		167
BNP Paribas	US\$		2,107
Total		<u>276,806</u>	<u>203,102</u>
Principal outstanding	US\$	<u>275,000</u>	<u>200,000</u>
Annual average interest rate		<u>1.70%</u>	<u>1.64%</u>
Percentage of obligations in foreign currency (1)		<u>100%</u>	<u>100%</u>

(1) Obligations in US dollars have been considered as foreign currency for the purposes of this disclosure.

12. BANKS AND FINANCIAL INSTITUTIONS LONG-TERM

These obligations accrue interest at variable rates based on Libor.

Bank or financial institution	Currency	As of December 31, 2002		As of December 31, 2003			Annual average interest rate %	
		Total ThUS\$	Years to maturity					
			After 1 year but within 2 years ThUS\$	After 2 years but within 5 years ThUS\$	Total ThUS\$			
JP Morgan-The Chase Manhattan Bank	US\$	300,000		100,000		100,000	1.84	
Citibank N.A.	US\$	300,000			300,000	300,000	1.69	
BNP Paribas	US\$			300,000		300,000	1.58	
Total		<u>600,000</u>		<u>100,000</u>	<u>600,000</u>	<u>700,000</u>		
Percentage of obligations in foreign currency (1)		<u>100%</u>				<u>100%</u>		

(1) Obligations in US dollars have been considered as foreign currency for the purposes of this disclosure.

13. CURRENT AND LONG-TERM BONDS PAYABLE

On May 4, 1999, the Company issued and placed bonds in the North American market, under Regulation 144-A, for a nominal amount of ThUS\$300,000. These bonds mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually.

On November 18, 2002, the Company issued and placed bonds in the domestic market, under the regulations of the Superintendency. These bonds were issued for a nominal amount of UF 7,000,000, (at December 31, 2003, equivalent to ThUS\$199,461) of a single denominated A Series, and are represented by 70,000 certificates of UF 100 each. These bonds are repayable in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually.

On November 30, 2002, the Company issued and placed bonds in the North American market, under Regulation 144-A, for a nominal amount of ThUS\$435,000. These bonds mature in a single installment on November 30, 2012, at an interest rate of 6.375% per annum with interest paid semi-annually.

On October 15, 2003, the Company issued and placed bonds in the North American market, under Regulation 144-A, for nominal amount of ThUS\$500,000. These bonds are repayable in a single installment on October 15, 2013, at an interest rate of 5.5% per annum with interest paid semi-annually.

Instrument	Currency	Interest rate %	Interest date/ maturity date	As of December 31,	
				2002 ThUS\$	2003 ThUS\$
Bond interest payable 144A	US\$	7.375	Semi-annually	3,667	3,688
Bond interest payable series A	UF	4.000	Semi-annually	2,212	2,633
Bond interest payable 144A	US\$	6.375	Semi-annually	2,374	2,311
Bond interest payable 144A	US\$	5.500	Semi-annually		6,875
Total				8,253	15,507
Long-term bond 144A	US\$	7.375	May-1-2009	300,000	300,000
Long-term bond series A	UF	4.000	Sep-1-2012	162,643	199,461
Long-term bond 144A	US\$	6.375	Nov-30-2012	435,000	435,000
Long-term bond 144A	US\$	5.500	Oct-15-2013		500,000
Total				897,643	1,434,461

14. ACCRUALS

The composition of current and long-term accruals is as follows:

Item	As of December 31,			
	Current		Long-term	
	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$
Interest rate-hedging	195	196		
Cost of sales -miscellaneous (1)	2,674	1,889		
Operating costs -miscellaneous (2)	24,142	24,338		
Other employee benefits-collective bargaining	1,875	1,915		
Severance indemnity	24,543	29,396	363,488	453,930
Export tax (Law 13,196)	26,249	24,172		
Payroll (3)	25,581	37,499	28,312	35,313
Vacations	46,368	57,235		
Miscellaneous	23,674	11,572		2,091
Early retirement program (4)		10,178		
Environmental exit costs (5)			71,728	72,331
Contingencies			68,351	28,106
Health programs (6)			3,283	38,817
Total	175,301	198,390	535,162	630,588

- (1) Corresponds to a provision related to cost of sales, including freight expenses, loading, and unloading not invoiced as of the end of the period.
- (2) Corresponds to provision for customs duties, freight charges on purchases, and electricity, among others.
- (3) Corresponds to benefits granted to the Company's employees which are accrued as of the closing date of these financial statements, including Christmas and Independence Day bonuses, other bonuses, legal employee bonuses and other benefits.
- (4) Corresponds to benefits granted to the Company's employees under early retirement programs for those who have agreed to retire, under these plans.
- (5) Corresponds to the policy established by the Company with respect to the provision of future environmental exit costs of mines, which principally relate to the clean up of tailing dams.
- (6) Corresponds to a provision made in order to cover Company's commitments for contributions to health institutions as agreed upon with employees who have retired. The accrual considers an annual discount rate of 6% and life expectation of 15 years.

15. SEVERANCE INDEMNITIES

The changes in the accrual for severance indemnities are summarized as follows:

	As of December 31,			
	Current		Long-term	
	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$
Balance as of January 1	26,513	24,543	370,980	363,488
Payments made	(13,819)	(25,485)		
Provision for the year (including effects for variations in exchange rates)			4,357	120,780
Transfer to current	<u>11,849</u>	<u>30,338</u>	<u>(11,849)</u>	<u>(30,338)</u>
Total	<u>24,543</u>	<u>29,396</u>	<u>363,488</u>	<u>453,930</u>

16. MINORITY INTEREST

The detail of minority interest included in liabilities and net income is as follows:

	As of December 31,			
	Current		Long-term	
	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$
Balance as of January 1	26,513	24,543	370,980	363,488
Payments made	(13,819)	(25,485)		
Provision for the year (including effects for variations in exchange rates)			4,357	120,780
Transfer to current	<u>11,849</u>	<u>30,338</u>	<u>(11,849)</u>	<u>(30,338)</u>
Total	<u>24,543</u>	<u>29,396</u>	<u>363,488</u>	<u>453,930</u>

17. EQUITY

The Company was formed by D.L. No. 1,350 dated 1976, which establishes that all net income earned by the Company goes to the benefit of the Chilean Government after deducting amounts that, by a charge to net earnings for each year, must be maintained in Other Reserves as established in Article Six of D.L. N° 1,350, dated 1976, and have to be included in the proposal made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

The composition of Other Reserves as of December 31, 2003 is as follows:

Detail	Year ThUS\$	Accumulated ThUS\$
Allocation of net income		
(Exempt Decree Ministry of Mining and Treasury Department)	16,348	609,051
Cumulative translation adjustment – subsidiaries	49,124	33,772
Reserve for housing programs		35,100
Technical appraisal revaluation reserve - D.L. N°3,648		624,568
	<hr/>	<hr/>
Balance of other reserves as of December 31, 2003	<u>65,472</u>	<u>1,302,491</u>

(1) As of December 31, 2002 and 2003, the composition of the cumulative translation adjustment in Other reserves, which corresponds to the investments in subsidiaries and investees whose currency is other than the United States dollar, is as follows:

Companies	As of December 31,					
	2001		2002		2003	
	Liabilities ThUS\$	Net income ThUS\$	Liabilities ThUS\$	Net income ThUS\$	Liabilities ThUS\$	Net income ThUS\$
Asociación Garantizadora de Pensiones	25	4	20	2	24	(6)
Biosigma S.A.			453	40	823	325
CMS Chile S.A.			(1)		(1)	
Complejo Portuario Mejillones S.A.	6	(1)				
Inst. de Innov. en Min. y Metalúrgica S.A.	2		2	(1)	2	
Isapre Chuquicamata Ltda.	29		28		35	(1)
Isapre Río Blanco Ltda.			1		1	
Sociedad Elab. de Cobre Chilena Ltda.	6	(4)		8	(7)	2
Sociedad Geotérmica del Norte S.A.			(935)	1,559	1,158	586
Inversiones Cobre Dos S.A.	426	3				
Inversiones Enercobre S.A.	70					
Sociedad Contractual Minera Los Andes	8,543					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>9,107</u>	<u>2</u>	<u>(432)</u>	<u>1,608</u>	<u>2,035</u>	<u>906</u>

(1) Effective January 1, 2003, the subsidiary, Complejo Portuario Mejillones S.A., was authorized to keep its accounting records in US dollars.

Changes in equity are detailed as follows:

	As of December 31, 2002				As of December 31, 2003			
	Paid-in capital ThUS\$	Other reserves ThUS\$	Profits distribution ThUS\$	Net income for the year ThUS\$	Paid-in capital ThUS\$	Other reserves ThUS\$	Profits distribution ThUS\$	Net income for the year ThUS\$
Beginning balance - January 1	1,524,423	1,226,797	(76,853)	25,574	1,524,423	1,237,019	(76,853)	48,476
Recording of reserves and/or income in equity as required		25,574		(25,574)		16,348	32,128	(48,476)
Net changes in equity in subsidiaries and affiliated companies		(15,352)		48,476		49,124		
Net income for the year								89,230
Interim dividends							(50,000)	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>1,524,423</u>	<u>1,237,019</u>	<u>(76,853)</u>	<u>48,476</u>	<u>1,524,423</u>	<u>1,302,491</u>	<u>(94,725)</u>	<u>89,230</u>

18. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses are detailed as follows:

a. Non-operating income

Item	Year-ended December 31,		
	2001 ThUS\$	2002 ThUS\$	2003 ThUS\$
Recovery future contracts	247	2,539	1,052
Fines on supplier	2,343	3,452	4,834
Realized gain on contributions to companies	52,816	43,625	44,980
Calama plan	3,230		
Recovery of damages in lawsuit	8,000	732	68
Insurance recoveries	700	1,355	
Sales of property, plant and equipment	1,005	2,330	
Sales of bid contract terms	80	70	189
Miscellaneous sales	15,130	5,031	5,186
Sales of services		8,216	10,131
Rent		4,438	1,888
Other income	51,304	38,328	30,122
Administration-Satep			2,992
 Total	 <u>134,855</u>	 <u>110,116</u>	 <u>101,442</u>

b. Non-operating expenses

Item	Year-ended December 31,		
	2001 ThUS\$	2002 ThUS\$	2003 ThUS\$
Severance indemnities	24,758	20,783	14,770
Retirement plans	11,828	11,478	29,430
Disposal of obsolete property	3,010	7,652	4,294
Cost of sales - miscellaneous	9,355	5,156	4,274
Staff Defense Council	2,155		
Other personnel expenses	10,888	7,679	5,464
Pre-investment expenses	25,833	41,789	41,302
Collective bargaining bonuses	8,293	18,587	19,255
Environmental exit costs	8,523	19,080	9,712
Contingency accrual	12,220	12,000	12,000
Vacation expense	9,171	7,050	10,404
Export tax (Law N°13,196)	260,070	240,071	248,807
Losses on disposal of property, plant and equipment	2,599	13,686	2,040
Non-recoverable value added tax	601	1,601	1,219
Mining patents	231	228	219
Labor related illnesses	1,085		
Forward contracts	1,551	1,021	899
Domestic bond expenses		3,098	
Foreign bond expenses		7,791	9,642
Former Tocopilla Division expenses	704	967	532
Other expenses	9,641	17,299	22,659
Rent		462	
Cost of sales – services		4,087	4,643
Write-offs of obsolete property, plant and equipment			10,777
Expenses on syndicated loan			6,360
Administration – Satep			6,807
Total	<u>402,516</u>	<u>441,565</u>	<u>465,509</u>

19. PRICE-LEVEL RESTATEMENT

The composition of price-level restatement (charged) credited to the statements of income is detailed as follows:

	Year-ended December 31,		
	2001	2002	2003
	ThUS\$	ThUS\$	ThUS\$
Inventories			(247)
Property, plant and equipment	188	1,501	109
Current assets and other	434	107	65
Other non-monetary assets		(1)	18
Expense and cost accounts	306	95	(12)
 Total credits (charges) - assets	 928	 1,702	 (67)
 Other liabilities	 (90)	 (922)	 (84)
Non-monetary liabilities	(106)	(465)	(117)
Income accounts	(25)	(89)	28
 Total net charges - liabilities	 (221)	 (1,476)	 (173)
 Gain (loss) from price-level restatement	 707	 226	 (240)

20. FOREIGN EXCHANGE DIFFERENCES

The (charge) credit to income for foreign exchange differences for the years ended December 31, 2001, 2002 and 2003 is as follows:

Assets (Charges) / Credits	Currency	2001 ThUS\$	2002 ThUS\$	2003 ThUS\$
Cash	Ch\$	1,979	(3,126)	(530)
Other receivables	Ch\$	1,041	790	649
Trade receivables	Ch\$		1,365	1,056
Trade receivables	Euro	(58)		(21)
Trade receivables	£	(46)		
Other current assets	Ch\$	(11,042)	(7,140)	24,140
Investments in related companies	Ch\$	(29,306)	2,834	
Investments in related companies	Euros			3,997
Investments in related companies	£			187
Investments in related companies	Mexican peso			(43)
Long-term receivables	Ch\$	(2,970)	(1,274)	10,228
Other	Ch\$	(6,562)	(3,271)	9,422
Total (charges) credits		<u>(46,964)</u>	<u>(9,822)</u>	<u>49,085</u>
Liabilities (Charges) / Credits				
Accounts payable	Ch\$	13,848	7,398	(31,217)
Other payables	Ch\$	(697)	(489)	(19)
Miscellaneous accruals	Ch\$	6,271		
Other current liabilities	Ch\$	(19)	(673)	(2,515)
Other long-term liabilities	Ch\$	<u>55,514</u>	<u>36,492</u>	<u>(88,842)</u>
Total (charges) credits		<u>74,917</u>	<u>42,728</u>	<u>(122,593)</u>
Total		<u>27,953</u>	<u>32,906</u>	<u>(73,508)</u>

21. EXPENSES OF ISSUANCE AND PLACEMENT OF SHARES AND DEBT INSTRUMENTS

Expenses incurred in the issuance and placement of bonds made in 2002 and 2003, as detailed in Note 13, were charged to results: ThUS\$10,889 in 2002; ThUS\$8,779 in 2003.

The discount on the placement of bonds is capitalized as a deferred expense and is included in other Assets. The discount is amortized using the straight-line method over the term of the bonds (2012 and 2013). As indicated in note 10, as of December 31, 2002, the balance of this item amounts to ThUS\$9,529 (2003: ThUS\$11,189) while the amortization for the years was ThUS\$242 in 2002 and ThUS\$977 in 2003.

22. STATEMENT OF CASH FLOWS

The detail of supplemental information to the consolidated statements of cash flows is as follows:

	Year-ended December 31,		
	2001	2002	2003
	ThUS\$	ThUS\$	ThUS\$
Income taxes paid	2,565	80,887	339,323
Contribution to Chilean Government Law N°13,196	<u>256,708</u>	<u>222,741</u>	<u>252,788</u>
Interest paid	98,705	70,570	82,916

The detail of “other investment income” included in the cash flows from investment activities is as follows:

	Year-ended December 31,		
	2001	2002	2003
	ThUS\$	ThUS\$	ThUS\$
Recovery of loans granted to employees	29,756	29,329	38,544
Other investments	<u> </u>	<u> </u>	<u>18,365</u>
Total	29,756	29,329	56,909

23. DERIVATIVE CONTRACTS

At December 31, 2002 and 2003, the Company has contracts in place to fix the interest rates of US dollar-denominated debt obligations with banks and financial institutions. Deferred payments under these contracts amounted to ThUS\$58,610 in 2002 and ThUS\$46,945 in 2003, which are shown in Others under Other Assets (Note 10) and are amortized over the term of the respective obligations, from January 2004 to September 2008.

As of December, 2003 the detail is as follows:

Description of contracts					Amount of Transaction Hedged	Financial statements		
Contract amount	Maturity on expiry	Specific item	Position Purchase/ sale	Transaction hedged		Asset/Liability Name	Amount	Effect in results Realized
3,841	June 2005	Copper	C	Copper sales	461,350	Current liabilities	41,041	41,041
164,482	November	UF	C	Exchange rate US\$	164,482	Other asset	18,106	18,106
300,000	September	Interest	V	Interest rate-hedging	300,000	Other asset	8,923	(8,923)
1,244	June 2005	Copper	C	Production (MTMF)	249,900	Current liabilities	27,480	(27,480)
1,776	January	£	C	Exchange US\$	1,776	Current asset	15	(15)

CCTE: Hedge of a forecasted transaction
MTMF: Thousand of metric tons of copper
FU: Future; S: Swap; OE: Min-Max Option; FR: Forward

24. COMMITMENTS AND CONTINGENCIES

Lawsuits

Codelco is involved in various pending legal actions initiated by, or against, the Company which result from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. In addition, with respect to all such lawsuits, the Company defends its rights and uses all legal and proceeding resources available.

Below is a summary of the most significant lawsuits to which Codelco is a party:

- Lawsuit seeking the annulment of an arbitration and a settlement on the payment of damages, filed by Construcción y Montajes Eroles Ltda against Corporación Nacional del Cobre de Chile, División Andina. This lawsuit was filed with the 1st Court of Los Andes and seeks payment of damages amounting to ThUS\$20,500.
- Tax lawsuits: There are several tax assessments issued by the Chilean Internal Revenue Service for which the Company has presented its corresponding objections.
- Mining Lawsuits: The Company has been involved, and will probably continue to be involved, as a defendant in a number of proceedings, through which it seeks to protect certain mining concessions already established or in process of being established. Currently these proceedings have no determined amounts and do not affect significantly Codelco's development.

Other commitments

With regard to the shares resulting from the bidding process of the hydroelectric power plants Coya and Pangal, the Company has committed to the final signing of the sale contracts for such assets by April 2004.

The Corporation, following its cost-reduction programs through the use of modern technologies, has established personnel early severance programs, with benefits that encourage retirement, which obligation is recognized as a provision when the employee commits to his/her retirement.

Additional information

The Company has no restrictions or covenants associated with obligations with banks and financial institutions or with the public.

Direct guarantees

Creditor	Debtor	Type of guarantee	Outstanding payments	
			2002 ThUS\$	2003 ThUS\$
Tesorería General de la República	Codelco Chile	Customs duties	70,293	68,397
Tesorería General de la República	Codelco Chile	Use of fiscal credit	37,658	5,023
Other	Codelco Chile	Accepted guarantees	26,361	26,496

25. SURETIES OBTAINED FROM THIRD PARTIES

The Company has received a number of guarantees that mainly cover obligations of suppliers and contractors related to various projects under development. Considering the large number of guarantees received as of December 31, 2002 and 2003 and the many suppliers and contractors involved, the amounts covered are presented by Division as follows:

Division:	As of December 31,	
	2002 ThUS\$	2003 ThUS\$
Andina	5,182	7,013
Codelco Norte	132,090	97,864
Head Office	51,318	20,610
Salvador	25,442	9,371
El Teniente	70,677	69,235
Total	284,709	204,093

26. ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCIES

Assets and liabilities by currency are as follows:

a. Assets

Item	Currency	As of December 31,	
		2002 ThUS\$	2003 ThUS\$
Cash	Ch\$	2,560	3,619
Cash	US\$	8,608	2,968
Cash	£	785	1,957
Cash	Euro	66	7,240
Time deposits	Ch\$	865	5,389
Time deposits	US\$	140,349	38,655
Marketable securities	US\$	345	15
Marketable securities	Ch\$	1	1
Trade accounts receivable	Ch\$	27,081	3,544
Trade accounts receivable	US\$	190,698	321,769
Trade accounts receivable	£	4,470	10,696
Trade accounts receivable	Euro	2,972	18,113
Notes receivable	Euro		1,433
Notes receivable	US\$	2,488	
Notes receivable	Ch\$	134	179
Other receivables	Ch\$	74,693	108,110
Other receivables	US\$	58,039	19,185
Other receivables	£		104
Other receivables	Euro		1,189
Due from related companies	US\$	21,693	746
Inventories	US\$	494,579	879,108
Recoverable taxes	Ch\$	37,382	76,498
Recoverable taxes	US\$	145,452	282,520
Recoverable taxes	Euro		597
Prepaid expenses	£		314
Prepaid expenses	Ch\$		1,201
Prepaid expenses	US\$	7,561	10,555
Other current assets	US\$	768	9,847
Other current assets	Ch\$		1,964
Deferred taxes	Ch\$		472
Deferred taxes	US\$		43,075
Fixed assets - net	US\$	4,892,661	5,241,332
Fixed assets - net	Ch\$	11,841	19,323
Fixed assets - net	Euro	8	5
Fixed assets - net	£	40	19
Investments in related companies	Ch\$	169,144	289,938
Investments in related companies	US\$	68,746	120,679
Investments in related companies	Mexican pesos	559	902
Investments in other companies	Euro	2,570	3,079
Investments in other companies	Ch\$	335	405
Long-term receivables	Ch\$	53,084	74,453
Long-term receivables	US\$	10,551	57,635
Due from related companies	US\$	80,887	81,729
Intangibles	US\$	3,497	4,163
Amortization of intangibles	US\$	(1,006)	(1,035)
Other assets	US\$	218,459	346,225
Other assets	Ch\$		1,885
Total assets		6,732,965	8,091,800
	Ch\$	377,120	586,981
	US\$	6,344,375	7,459,171
	£	5,295	13,090
	Euro	5,616	31,656
	Mexican pesos	559	902
Total assets		6,732,965	8,091,800

b. Current liabilities

Item	Currency	As of December 31,							
		Up to 90 days				90 days to 1 year			
		2002	Average annual interest rate %	2003	Average annual interest rate %	2002	Average annual interest rate %	2003	Average annual interest rate %
		Amount ThUS\$		Amount ThUS\$		Amount ThUS\$		Amount ThUS\$	
Banks and financial Institutions	US\$	2,652		35,900		206,275	1.99	430,269	1.45
Banks and financial Institutions-current	US\$					276,806	1.70	203,102	1.64
Bonds	Ch\$	2,212	4.00	2,633	4.00				
Bonds	US\$	6,041	6.88	12,874	6.42				
Accounts payable	Ch\$	92,310		124,454					
Accounts payable	US\$	155,660		172,389					
Accounts payable	£			8,452					
Accounts payable	Euro			8,962					
Notes payable	Ch\$	703		1,181					
Other payables	Ch\$			2,334					
Other payables	US\$	18,148		13,205					
Other payables	Euro			40					
Due to related companies	US\$	20,846		38,406					
Accruals	Ch\$	106,399		141,786					
Accruals	US\$	68,902		56,476					
Accruals	Euro			128					
Withholdings	Ch\$	46,885		61,692					
Withholdings	US\$			7,451					
Withholdings	Euro			1,319					
Income taxes	Ch\$	366		229					
Income taxes	US\$			100					
Income taxes	£			24					
Deferred income	US\$	1,271		1,611					
Deferred income	£			607					
Deferred income	Ch\$			244					
Other current liabilities	Ch\$			21					
Other current liabilities	US\$	3,005		465					
Deferred taxes	US\$	19,196							
Total current liabilities		544,596		692,983		483,081		633,371	
	US\$	295,721		338,877		483,081		633,371	
	Ch\$	248,875		334,574					
	£			9,083					
	Euro			10,449					
Total current liabilities		544,596		692,983		483,081		633,371	

c. Long-term liabilities

	December 31, 2002:		1 to 3 years		3 to 5 years		5 to 10 years	
	Currency	Amount ThUSS	Average annual interest rate %	Amount ThUSS	Average annual interest rate %	Amount ThUSS	Average annual interest rate %	
			%		%		%	
Banks and financial institutions	US\$	600,000	1.88					
Bonds	US\$						735,000	6.88
Bonds	UF						162,643	4.00
Notes payable	Ch\$	46,787						
Accruals	Ch\$	375,722						
Accruals	US\$	159,440						
Deferred taxes	US\$	887,372						
Other payables	Ch\$	3,490						
Other payables	US\$	2,201						
Total long-term liabilities		2,075,012					897,643	
	US\$	1,649,013					735,000	
	Ch\$	425,999					162,643	
	UF							
Total long-term liabilities		2,075,012					897,643	
December 31, 2003:								
	1 to 3 years		3 to 5 years		5 to 10 years		Average annual interest rate %	
	Currency	Amount ThUSS	Average annual interest rate %	Amount ThUSS	Average annual interest rate %	Amount ThUSS	Average annual interest rate %	
			%		%		%	
Banks and financial institutions	US\$	400,000	1.84			300,000	1.84	
Bonds	US\$							1,235,000
Bonds	UF							199,461
Notes receivable	US\$	87,399						6.42
Other payables	US\$	49,734						4.00
Accruals	Ch\$	522,998						
Accruals	US\$	107,590						
Deferred taxes	US\$	1,035,036						
Other liabilities	£	292						
Other liabilities	US\$	4,482						
Total long-term liabilities		2,207,531				300,000		1,434,461
	US\$	1,684,241				300,000		1,235,000
	UF							199,461
	Ch\$	522,998						
	£	292						
Total long-term liabilities		2,207,531				300,000		1,434,461

27. SANCTIONS

Codelco Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency or other administrative authorities.

28. SUBSEQUENT EVENTS

On January 23, 2004, Codelco transferred 60% of Fundición Talleres S.A.'s shares to Compañía Electro Metalúrgica S.A., thus remaining as a minority shareholder with 40% of the shares, without significantly impacting to the Company.

On January 29, 2004, Codelco, Suez Tractebel S.A. and Tractebel Andino S.A. signed an agreement which regulates certain aspects of the reorganization plan of their electrical assets in the Great Northern Interconnected System with the objective of carrying out, during 2004, an overall partnership restructuring that involves Electroandina S.A., Edelnor S.A., Gasoducto Nor Andino S.A. and Gasoducto Nor Andino (Argentina) S.A., among other companies.

The agreement establishes the essential steps to be taken and the periods in which each of them are to be performed in order to effect the proposed restructuring.

The Company management has no knowledge of other significant events of a financial nature or any other nature which may affect these financial statements and which occurred between December 31, 2003 and the date of their issuance on February 6, 2004.

29. ENVIRONMENT

The practice of exploration and recognition of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company defined its environmental commitments, which are controlled through an environmental management system for explorations that has been improved over time to conform to the worldwide standard ISO 14001, which has assisted in geology, geochemical, geophysical and sounding work directed towards exploration of mineral resources both in Chile and abroad.

On December 31, 2003, Codelco Norte, formed by the Chuquicamata and Radomiro Tomic, Andina, Salvador and Teniente Divisions, received ISO 14001 certification. The Head Office and exploration management also received ISO 14001 certification.

Exploration management received the certification separately for the relevance and impact of its activities on the environment.

As of December 31, 2002 and 2003, in accordance with this policy, the Company has made investments of ThUS\$93,066 and ThUS\$39,015, respectively, involving environmental issues.

30. MINING SITES

The Company's productive activities are conducted in its Divisions; Codelco Norte, (Chuquicamata and Rodomiro Tomic), Salvador, Andina and El Teniente.

These Divisions operate with independent administrative departments which report to the Chief Executive Officer.

The characteristics of each division are as follows:

Chuquicamata

Type of deposit: Open pit mine
Operation: Since 1915
Location: Calama, Chile's 2nd Administrative Region
Products: SX-EW copper cathodes, and copper concentrate

Rodomiro Tomic

Type of deposit: Open pit mine
Operation: Since 1997
Location: Calama, Chile's 2nd Administrative Region
Products: SX-EW copper cathodes

Salvador

Type of deposit: Underground mine
Operation: Since 1926
Location: Salvador, Chile's 3rd Administrative Region
Products: SX-EW copper cathodes, and copper concentrate

Andina

Type of deposit: Underground mine
Operation: Since 1970
Location: Los Andes, Chile's 5th Administrative Region
Products: Copper concentrate

El Teniente

Type of deposit: Underground mine
Operation: Since 1905
Location: Rancagua, Chile's 6th Administrative Region
Products: Blister, copper anodes and copper concentrate.

* * * * *

PRINCIPAL DIFFERENCES BETWEEN CHILEAN GAAP AND U.S. GAAP

There are differences between accounting standards generally accepted in Chile (“Chilean GAAP”) and accounting principles generally accepted in the United States (“U.S. GAAP”). Such differences involve certain methods for measuring the amounts shown on the face of the financial statements, as well as additional footnote disclosures. A summary of the significant differences between Chilean GAAP and U.S. GAAP that specifically apply to the financial statements of CODELCO are discussed below. This summary is not intended to be a complete explanation of such differences, and accordingly, it is recommended that consideration be given to the respective pronouncements of the accounting profession in Chile and in the United States. Additionally, it should be noted that there are numerous differences in disclosures required by Chilean GAAP and U.S. GAAP, not all of which are addressed below.

Differences in Measurement Methods

The principal methods applied in the preparation of the accompanying financial statements which would result in amounts that differ from those that would have otherwise been determined under U.S. GAAP are as follows:

a) Technical Revaluation of Fixed Assets

Certain property, plant and equipment are recorded in the financial statements at cost plus adjustments determined in accordance with technical appraisals performed during 1982 through 1984 and in accordance with the special Law 18,110 and Law Decree 3.649 enacted for CODELCO in those periods. The difference between the carrying value and the revalued amount is included in equity in “Other reserves” and is subject to depreciation. Revaluation of property, plant and equipment is an accounting principle not generally accepted under U.S. GAAP. The application of U.S. GAAP would result in a decrease in property, plant and equipment, a decrease in equity, and a decrease in depreciation expense.

b) Derivative Instruments

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 (SFAS No. 133), “Accounting for Derivative Instruments and Hedging Activities”. In June 1999, the FASB issued Statement No. 137, “Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133”. In June 2000, the FASB issued Statement 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133”. In April 2003, the FASB issued SFAS No.149 “Amendment of Statement 133 on Derivative Instrument and Hedging Activities” which clarifies the circumstances under which a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS 133. In addition, SFAS 149 clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. U.S. GAAP requires that changes in the derivative instrument’s fair value be recognized currently in earnings unless specific hedge accounting criteria for certain types of financial instruments are met. Special accounting for qualifying hedges allows a derivative instrument’s gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

A description of the differences between Chilean GAAP and U.S. GAAP, by derivative contract type is included below:

- i) *Cross currency swaps:* Under Chilean GAAP, cross currency swaps are valued at the closing spot exchange rate with gains or losses recognized in earnings as other non-operating income or expense.

ii) *Futures and min max option contracts:* Results of metals derivatives contracts, entered into in order to protect the Company from risks inherent in the fluctuation of the price of metals, are recorded at contractual maturity or settlement date as a charge or credit to income from sale of products.

Under U.S. GAAP, in order to qualify for hedge accounting, strict documentation rules must be followed. A company must document its risk management objectives and strategy for undertaking the hedge and must set out a basis for how it plans to assess the hedging instrument's effectiveness. As CODELCO does not have such formal documentation in place and because such documentation is not required under local accounting rules, the Company's derivatives contracts do not currently qualify for hedge accounting.

Under U.S. GAAP, derivative contracts including both cross currency swaps and future and min max option contracts, that do not qualify for hedge accounting must be marked to market based on the estimated forward exchange rates or metal price. The mark to market adjustment would be charged (credited) to the income statement. If the Company had followed U.S. GAAP and these contracts had qualified for hedge accounting, all or a portion of the mark to market adjustments may be recorded as other comprehensive income in equity depending on the type of "hedge" and the extent to which the hedge is determined to be effective.

iii) *Interest rate swaps:* Under Chilean GAAP, CODELCO recognizes gains or losses from the settlement of swaps in income. Premiums or discounts are amortized over the term of the swap.

Under U.S. GAAP, should these contracts qualify for "hedge" accounting under the documentation requirements of SFAS 133, these instruments would be accounted for as cash flow hedges as follows:

- (a) The mark to market adjustment associated with the portion of the financial instrument which is determined to be effective under SFAS 133 would be recognized through comprehensive income in equity, and,
- (b) the mark to market adjustment associated with the ineffective portion of the financial instrument would be charged (credited) to income.

iv) *Embedded derivatives:* Current Chilean accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements. For current U.S. GAAP purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value. The Company would separately measure embedded derivatives as freestanding derivative instruments at their estimated fair values recognizing changes in such fair values based on the appropriate "hedge" accounting as defined under SFAS 133 when they occur.

v) *Long-term product supply contracts:* Certain long-term product supply contracts may qualify for fair value accounting under SFAS 133. These contracts would not be considered derivatives under Technical Bulletin 57 of Chilean GAAP. The nature and terms of the contract as well as the compliance with the documentation standards of SFAS 133 would be analyzed to determine the appropriate accounting for any fair value adjustments necessary under SFAS 133.

Applying SFAS No. 133 would alter the Company's net income and shareholder's equity.

c) *Capitalization of Interest*

Under Chilean GAAP companies may, but are not required to capitalize interest incurred for borrowings that are directly attributable to acquisition, construction or production of "qualifying" assets, which the Company has not elected to do. Under U.S. GAAP, the capitalization of interest on qualifying assets under construction is required and is intended to be that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided (for example, by avoiding additional borrowings or by using the funds expended for the assets to repay existing borrowings) if expenditures for the assets had not been made.

Interest capitalized under U.S. GAAP would be included in the cost of the corresponding assets reducing interest cost. Capitalized interest is depreciated as part of the cost basis of the associated fixed asset over the assets' useful life.

d) Lease accounting

Up until 2002, the Company has accounted for certain of its buildings and equipment leases using the methodology for operating leases. Under U.S. GAAP, such operating leases would be recorded as capital leases resulting in an increase in assets and liabilities recorded in the balance sheet, with no significant effect on income.

e) Asset Impairment

In accordance with U.S. GAAP, under FASB 144, when certain changes in circumstances (as defined in the literature) occur, fixed assets must be evaluated for impairment at the lowest level of identifiable assets generating cash flows. If the undiscounted cash flows are less than carrying value, such assets should be written down to fair value. Under Chilean GAAP, there are no specific pronouncements relating to tests that may be applied to determine the impairment of assets, other than that a write-down should be performed when there is evidence that the Company would be permanently unable to generate enough revenues to absorb all its costs, including depreciation.

f) Bond Issuance Costs

The Company expensed bond issuance costs under Chilean GAAP resulting from the bond issuances during 1999, 2002 and 2003. Under U.S. GAAP, such costs should be deferred and amortized over the ten-year term of the bonds under the effective interest rate method. The effect of the application of U.S. GAAP to the accompanying financial statements would be an increase in equity and an increase in net income in 1999, 2002 and 2003 with decreases in net income for the following years until the costs are completely amortized.

g) Discount debt cost

The Company classified the discount associated with the proceeds from its debt issuance as an asset. Under U.S. GAAP, such discount would be recorded as a contra liability offsetting the debt.

h) Accrual of net income distributions

As required by the Chilean law, the Company must distribute all of its net income to the Chilean government, except for amounts approved by the Board of Directors to be capitalized. Since the payment of distributions is required by Chilean law, under U.S. GAAP, an accrual would be made to reflect the liability for net income distributions, at each period-end in order to comply with this legal requirement. Under Chilean GAAP, no provision is made for this liability prior to its approval by the annual shareholders' meeting. The effect of the application of U.S. GAAP to the accompanying financial statements would be a decrease in equity with a corresponding increase in accrued liabilities at each period-end where the timing difference is in effect.

i) Computer software costs

Under Chilean GAAP, the Company has recognized in income costs associated with creating computer software for internal use. Under U.S. GAAP, certain costs incurred in the development stage of computer software would be capitalized. These costs would include external direct costs of materials and services and payroll and related employee costs for employees working directly on the project. The effect of the application of U.S. GAAP to the accompanying financial statements would be an increase in income and equity with a corresponding increase in property, plant and equipment in the year the software is capitalized. This is offset in the following years by decreases in income represented by the amortization of the computer software.

j) Foreign currency exchange difference

During 2001, foreign currency exchange differences arising from translation of subsidiaries and equity method investments were recorded in earnings under Chilean GAAP. Under U.S. GAAP such foreign currency exchange differences would have been recorded in equity on a consistent basis for all periods.

k) Investments in related companies

A company's equity share of the effect of the adjustments from Chilean GAAP to U.S. GAAP of equity accounted investees could lead to additional differences between Chilean GAAP and U.S. GAAP.

l) Constant currency restatement

Under Chilean GAAP, financial statements of subsidiaries and equity method investees, where the functional currency is Chilean pesos are price-level restated to recognize the effects of the variation in the currency's purchasing power during each year.

Under U.S. GAAP, the circumstances under which price-level restatement is permitted are limited and such restatement would not have been performed during the period, which the included financial statements cover.

m) Consolidation Policy

Under Chilean GAAP, the requirements for consolidation of a subsidiary or equity-method investee in financial statements are based upon majority ownership or management control.

Consolidation under U.S. GAAP through the effective date of Financial Accounting Interpretation 46R ("FIN 46R") for existing entities in the consolidated group was governed by Accounting Research Bulletin 51 which required evidence of "control" of an entity prior to consolidation which may have included such characteristics as voting rights, veto rights, management appointments, etc. Financial Interpretation 46 (R) is effective for the Company for the first reporting period ending after March 15, 2004. Under this Interpretation, identifying controlling financial interests in entities that are not controllable through voting interests or in which the equity investors do not have sufficient equity at risk for the entity to finance its activities without additional financial subordinated support may result in consolidation of certain equity-method investees or other entities, which were not considered for consolidation under previous literature.

n) Asset retirement obligations

Under Chilean GAAP, asset retirement obligations, which consist of costs of disposing of tailing dams, are recorded using the undiscounted estimated obligation value accrued over the useful life of the associated asset.

Under U.S. GAAP, prior to the adoption of FAS 143, diverse practice existed. Subsequent to the mandatory effective date of January 1, 2003, an entity shall recognize the fair value of a liability as an increase in the associated asset for an asset retirement obligation (defined in the literature as the legal obligation associated with the retirement of the asset that a party is required to settle as the result of existing or enacted law, statute or ordinance or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel) in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value (using the present value technique as defined) cannot be made in the period the asset retirement obligation is incurred, the liability shall be recognized when a reasonable estimate of fair value can be made.

o) Gain on Sale of Assets

Under Chilean GAAP, the Company has recorded a partial gain on the sale of property to an equity method investee for the difference between the purchase price and the carrying value multiplied by the percentage of interest held by the minority interest and a deferred gain on the sale of property for the percentage of the difference represented by the interest CODELCO holds. The deferred gain is amortized into income over the life of the related property which amortization is offset by the depreciation of the asset recorded at the equity method investee level.

The deferred gain is recorded as a decrease in the investment book value. Under U.S. GAAP, to the extent that the gain relates to third parties' interests in the equity method investee, this gain would be recognized in income at the time of sale of the assets. However, under U.S. GAAP, no deferred gain similar to that recorded under Chile GAAP is recognized.

p) Lump-sum payments under union contracts

The Company policy is to amortize the lump-sum payments under union contracts over such contracts period. Under U.S. GAAP, all or a portion of a lump sum payment may be deferred and appropriately amortized only when it is clear that the payment will benefit a future period in the form of a lower base wage rate than otherwise would have existed.

q) Health care benefit obligations

Under U.S. GAAP, an obligation for post-retirement benefits expected to be provided is recognized over the period of time in which the employee attains full eligibility. That accounting reflects the fact that at the full eligibility date the employee has provided all of the service necessary to earn the right to receive all of the benefits that employee is expected to receive under the plan. The expected postretirement benefit obligation for an employee is the actuarial present value as of a particular date of the postretirement benefits expected to be paid by the employer's plan to or for the employee, the employee's beneficiaries, and any covered dependents pursuant to the terms of the plan. Measurement of the expected postretirement benefit obligation is based on the expected amount and timing of future benefits, taking into consideration the expected future cost of providing the benefits and the extent to which those costs are shared by the employer, the employee (including consideration of contributions required during the employee's active service period and ensuing retirement, deductibles, coinsurance provisions, and so forth), or others (such as through governmental programs).

The Company has recognized health care post retirement benefit granted to some active and retired employees and members of their families, consisting in additional annual contributions to health institutions, so that those employees can achieve a minimum health plan coverage after retirement. CODELCO has recorded a liability for these post retirement health care benefits making assumptions about the additional costs of the health plans and the expected life of the eligible employees and their beneficiaries and using a discount rate to determine the present value of this obligation. Because the U.S. GAAP standard is broader and requires specific actuarial calculations to determine the expected liability instead of the present value method used by CODELCO, differences in the application of the accounting principles would arise impacting the future operating results of Company.

r) Development, exploration, evaluation and pre-operational costs

Under Chilean GAAP, development, exploration and evaluation costs are capitalized on a "successful effort" basis which differs from that defined under U.S. GAAP. Certain development costs of a project are capitalized which may not qualify for capitalization under U.S. GAAP as a final feasibility study indicating the existence of commercially recoverable reserves is the trigger point for capitalization under U.S. GAAP. Additionally, certain pre-operational costs capitalized for Chilean GAAP may be considered start-up costs for U.S. GAAP which would be expensed as incurred.

Additional Disclosure Requirements

The following disclosures, specific to the financial statements of CODELCO, are not generally required for presentation in the financial statements under Chilean accounting principles but are required under U.S. GAAP:

a) Financial instruments

Under U.S. GAAP, there are a number of additional disclosures required in connection with financial instruments including:

i. Fair values

The fair values of all financial instruments would be disclosed. Financial instrument fair values represent a reasonable approximation of amounts that the Company would have received or paid to counterparties as at the date of the balance sheet to unwind positions or settle debt prior to maturity.

ii. Credit risk

The financial instruments, which potentially subject to the Company to significant concentrations of credit risk and the strategies employed to mitigate such risks, would be disclosed.

b) Income taxes

Under U.S. GAAP, the Company would be required to provide additional disclosure related to the amounts of Chilean versus foreign income taxes.

c) Lease commitments

Under U.S. GAAP, the total lease commitment and the minimum lease commitments for each of the next five years and the remaining amount thereafter for both operating and capital leases would be disclosed. Additionally, the Company would disclose its rent expense for the years presented in the financial statements.

d) Bank loans, other credit arrangements and related covenants

Under U.S. GAAP, the Company would be required to disclose the individual annual average interest rate, the individual year-end interest rate and the term to maturity for each class of bank loan held. Additionally, the Company would disclose the unused portion of its available lines of credit at the balance sheet date and the cost of maintaining such credit facilities.

e) Industry segment and geographic area information

Under U.S. GAAP, the Company would disclose the industry segment that its principal business activities are concentrated in and the geographic areas in which it operates. Specific disclosure of export sales by geographic area would also be disclosed.

f) Depreciation and amortization

Under U.S. GAAP, the Company would be required to disclose, for each specific class of assets, the specific methodology and the range of useful lives selected for the calculation of the related depreciation or amortization expense.

g) Mine closure and environmental remediation costs

Under U.S. GAAP, the Company would be required to disclose the nature of the specific environmental laws with which it must comply and the policies and procedures that the Company has implemented to ensure compliance with such laws. The nature of the pollutants, the site polluted by the Company's operations, the current year provision and expenditures for mine closure and environmental remediation would be disclosed.

h) Income statement classifications

Certain income and expense items, which under U.S. GAAP would be classified as operating costs are classified as non-operating items under Chilean GAAP.

i) Purchase commitments

Under U.S.GAAP certain disclosures are required in connection with future purchases which have been committed to in fixed amounts under contract such as the nature of the obligation and amounts payable in the succeeding years, among others.

j) Health care benefit obligations

Under U.S. GAAP, certain disclosures are required for health care benefit obligations, such as contributions, benefits paid, assumptions used in the determination of the obligation among others.

ISSUER

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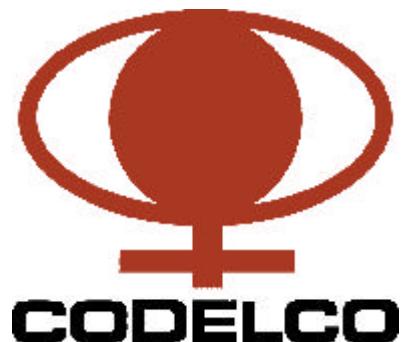
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**Corporación Nacional
del Cobre de Chile**

4.750% Notes due 2014



OFFERING MEMORANDUM
October 21, 2004

Citigroup
HSBC
Mitsubishi Securities
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