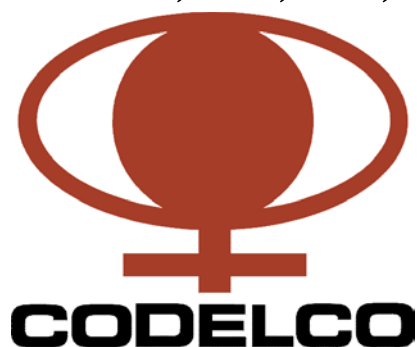


OFFERING MEMORANDUM

**U.S.\$2,000,000,000**



**Corporación Nacional del Cobre de Chile**

**U.S.\$1,250,000,000 3.00% Notes due 2022**

**U.S.\$750,000,000 4.25% Notes due 2042**

The notes due 2022 (the “2022 notes”) will bear interest at the rate of 3.00% per year and will mature on July 17, 2022, and the notes due 2042 (the “2042 notes”) will bear interest at the rate of 4.25% per year and will mature on July 17, 2042. We refer to the 2022 notes and the 2042 notes collectively as the notes. The interest on the notes of each series will be payable semi-annually in arrears on January 17 and July 17 of each year, beginning on January 17, 2013. The notes of each series 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” or the “Company”) and will rank *pari passu* with all other unsecured and unsubordinated obligations of CODELCO. See “Description of Notes—General.”

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market of the Luxembourg Stock Exchange. Currently, there is no public market for the notes.

**See “Risk Factors” beginning on page 14 for a discussion of certain risks that you should consider in connection with an investment in the notes.**

**Neither the U.S. Securities and Exchange Commission (“SEC”) nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this offering memorandum. Any representation to the contrary is a criminal offense.**

The notes have not been registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws, and are being offered and sold only to (i) qualified institutional buyers under Rule 144A under the Securities Act and (ii) persons outside the United States under Regulation S under the Securities Act. For a description of certain restrictions on transfer of the notes, see “Transfer Restrictions” and “Plan of Distribution.”

The notes will be delivered in book-entry form only through the facilities of The Depository Trust Company (“DTC”) and its direct and indirect participants, including Euroclear Bank S.A./N.V. (“Euroclear”), as operator of the Euroclear system, and Clearstream Banking, *société anonyme*, Luxembourg (“Clearstream”) against payment on or about July 17, 2012.

---

Issue price:

2022 Notes 98.663% plus any accrued interest from July 17, 2012.

2042 Notes 97.547% plus any accrued interest from July 17, 2012.

---

*Joint Book-Running Managers*

---

**HSBC**

**J.P. MORGAN**

The date of this offering memorandum is July 17, 2012.

**We are responsible for the information contained in this offering memorandum. We have not authorized anyone to give you any other information, and we take no responsibility for, and can provide no assurance as to the reliability of, any information that others may give you. 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.

---

## TABLE OF CONTENTS

|                                                                                             | <u>Page</u> |
|---------------------------------------------------------------------------------------------|-------------|
| Note Regarding Forward Looking Statements .....                                             | iv          |
| Enforceability of Civil Liabilities .....                                                   | v           |
| Presentation of Financial and Statistical Information .....                                 | vi          |
| Summary .....                                                                               | 1           |
| Summary Consolidated Financial Data .....                                                   | 11          |
| Risk Factors .....                                                                          | 14          |
| Use of Proceeds .....                                                                       | 25          |
| Capitalization .....                                                                        | 26          |
| Exchange Rates .....                                                                        | 27          |
| Selected Consolidated Financial Data .....                                                  | 28          |
| Selected Operating Data .....                                                               | 31          |
| Management’s Discussion and Analysis of Financial Condition and Results of Operations ..... | 32          |
| Business and Properties .....                                                               | 51          |
| Overview of the Copper Market .....                                                         | 75          |
| Regulatory Framework .....                                                                  | 78          |
| Management .....                                                                            | 84          |
| Related Party Transactions .....                                                            | 87          |
| Foreign Investment and Exchange Controls in Chile .....                                     | 88          |
| Description of Notes .....                                                                  | 89          |
| Taxation .....                                                                              | 99          |
| Plan of Distribution .....                                                                  | 103         |
| Transfer Restrictions .....                                                                 | 107         |
| Validity of the Notes .....                                                                 | 110         |
| Independent Auditors .....                                                                  | 111         |
| Glossary of Certain Mining Terms .....                                                      | 112         |
| General Information .....                                                                   | 116         |
| Unaudited Interim Consolidated Financial Statements .....                                   | F-1         |
| 2011 Year-end Consolidated Financial Statements .....                                       | F-111       |
| Consolidated Financial Statements for the Years Ended December 31, 2009 and 2010 .....      | F-227       |

---

The notes may not be offered or sold, directly or indirectly, in the Republic of Chile (“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 of this offering.

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.

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.

This Offering Memorandum constitutes a Prospectus for the purpose of the Luxembourg law dated July 10<sup>th</sup>, 2005 on Prospectus for Securities.

**IN CONNECTION WITH THIS OFFERING, HSBC SECURITIES (USA) INC. OR J.P. MORGAN SECURITIES LLC, OR ANY PERSON ACTING FOR EITHER OF THEM, 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 HSBC SECURITIES (USA) INC. OR J.P. MORGAN SECURITIES LLC, OR ANY PERSON ACTING FOR EITHER OF THEM, 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 offering memorandum 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 2005 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any notes will only be 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 offering memorandum or any of its contents.

To the extent that the offer of the notes is made in any European Economic Area (“EEA”) Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the “Prospectus Directive”) before the date of publication of a prospectus in relation to the notes which has been approved by the competent authority in that Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in that Member State in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require the Company to publish a prospectus pursuant to the Prospectus Directive.

See “Risk Factors” beginning on page 14 for a description of certain risks you should consider before investing 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 PRUCHASER, 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 and changes in Chilean law, customer demand, competition, unanticipated mining and production problems, commodity prices, relations with employees and contractors, variances in ore grade, adverse weather conditions and natural disasters. 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 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 y 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 y 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, the Fiscal and Paying Agency Agreement and the Purchase Agreement 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, respectively, the notes, the Fiscal and Paying Agency Agreement, the Purchase Agreement or the transactions contemplated thereby, 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 other property or assets permanently dedicated to the exploration or 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 Chilean consumer price index during the preceding 30 days.

Pursuant to *Oficio Circular 368* of October 2006, as amended, of the *Superintendencia de Valores y Seguros* (“SVS”), or the Chilean Superintendency of Securities and Insurance, beginning in 2010, all companies with publicly traded securities in Chile are required to prepare and report consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the International Accounting Standards Board (IASB). As of January 1, 2010, CODELCO no longer prepares financial statements in accordance with generally accepted accounting principles in Chile (“Chilean GAAP”). CODELCO’s first results reported under IFRS were the unaudited interim financial statements as of and for the three-month period ended March 31, 2010. Financial results for the fiscal year ended December 31, 2009 have been reconstructed according to IFRS in order to make them comparable to our 2010 and 2011 financial statements.

The audited consolidated statements of financial position as of December 31, 2009, 2010 and 2011 and the opening consolidated statement of financial position as of January 1, 2009 and the consolidated statements of comprehensive income for the years ended December 31, 2009, 2010 and 2011 included herein (the “Year-end Consolidated Financial Statements”), are presented in accordance with IFRS. The consolidated financial statements for the year ended December 31, 2011 are referred to as the “2011 Year-end Consolidated Financial Statements.”

The unaudited interim consolidated statements of financial position as of March 31, 2012 and the unaudited consolidated statements of comprehensive income, changes in equity and cash flows for the three month periods ended March 31, 2011 and 2012 (the “Unaudited Interim Consolidated Financial Statements”) included in this offering memorandum are presented in accordance with IFRS. The Unaudited Interim Consolidated Financial Statements and the Year-end Consolidated Financial Statements are referred to together as the “Consolidated Financial Statements.”

Unless otherwise indicated, the Consolidated Financial Statements and other financial information concerning CODELCO included herein are presented in U.S. dollars in conformity with Decree Law 1.350 of 1976, as amended by Law 20.392 published in the Official Gazette on November 14, 2009, and for periods after January, 1, 2009, in accordance with IFRS. Decree Law 1.350 is the Chilean law pursuant to which CODELCO was created and which provides for its governance.

Because the notes offered hereby have not been and will not be registered with the SEC, the Consolidated Financial Statements do not and are not required to comply with the applicable requirements of 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 used in 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.

Adjusted 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 Adjusted EBITDA by adding interest expense, taxes (including income and export taxes), depreciation and amortization to net income, in accordance with IFRS. Adjusted EBITDA is not a measure of financial performance or liquidity under IFRS 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 Adjusted EBITDA may be different than the calculation used by other companies, and therefore comparability may be affected.

Under IFRS, gross profit is calculated before provision for the 10% special export tax payable by CODELCO under Law 13.196, as well as the 5.7% mining tax that became effective in January 2006 pursuant to a modification of Chilean Income Tax Law 824 (*Decreto Ley* 824). See also “Risk Factors—Risks Relating to CODELCO’s Relationship with the Chilean Government—CODELCO is subject to special taxes and distributions” for information related to the mining tax rate effective in 2012.

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 as of December 30, 2011 was Ch\$521.46 = U.S.\$1.00, as of March 30, 2012 was Ch\$489.76 = U.S.\$1.00 and as of July 9, 2012 was Ch\$499.26 = 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. Tonnage information in this offering memorandum does not include CODELCO’s share of the El Abra deposit, which is mined by Sociedad Contractual Minera El Abra, owned 49% by CODELCO and 51% by Cyprus El Abra Corporation (a subsidiary of Freeport McMoRan Copper & Gold, Inc. (“Freeport McMoRan”)), unless otherwise specified. Certain terms relating to the copper mining business are defined in “Glossary of Certain Mining Terms.”

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 global 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, “cash cost” is calculated in accordance with the methodology specified by Brook Hunt & Associates for determination of C1 cost (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, 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 provisions, amortization, depreciation and central office costs. Cash cost is presented because it is a widely used measure of costs, although it is not an IFRS or U.S. GAAP-based measure of cost. The Company believes that cash cost, while providing useful information, should not be considered in isolation or as a substitute for costs of sales, costs of selling and administrative expenses, or as an indicator of costs.

As used in this offering memorandum, “Chuquicamata,” “Radomiro Tomic,” “El Teniente,” “Andina,” “Salvador” and “Mina Ministro Hales” 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

*This summary must be read as an introduction to this offering memorandum and any decision to invest in the notes should be based on a consideration of the offering memorandum as a whole, including the documents incorporated by reference.*

*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 prepared in accordance with IFRS.*

CODELCO is the world's largest copper producer and the largest company in Chile in terms of sales (U.S.\$17.51 billion in 2011). As of December 31, 2011, CODELCO's total assets and equity amounted to U.S.\$20.83 billion and U.S.\$6.06 billion, respectively, without including the value of CODELCO's mining concessions and ore deposits (as of March 31, 2012, such amounts were U.S.\$21.30 billion and U.S.\$6.53 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 Republic of Chile and controls approximately 9% of the world's proven and probable copper reserves, as such term is defined by the U.S. Geological Survey.

In 2011, CODELCO had an estimated 11% share of total world copper production, with production of approximately 1.80 million metric tons (including CODELCO's share of the El Abra deposit, which is mined by Sociedad Contractual Minera El Abra, owned 49% by CODELCO and 51% by Cyprus El Abra Corporation, a subsidiary of Freeport McMoRan) and an estimated 9% share of the world's molybdenum production, with production of approximately 23,098 metric tons.

CODELCO's main commercial product is Grade A cathode copper. In 2011, CODELCO derived 90% of its total sales from copper and 10% of its total sales from by-products of its copper production. For the three-month period ended March 31, 2012, CODELCO derived 91% of its total sales from copper and 9% of its total sales from by-products of its copper production.

CODELCO's sales of copper in 2011 were geographically diversified, with approximately 58% of sales made to Asia, including 36% to China, 21% to Europe, 21% to North America and South America, and the remainder to Oceania. CODELCO's top ten customers purchased approximately 31% of its total copper sales volume in 2011.

CODELCO's copper operations are divided into seven divisions and, separately, CODELCO operates the Gabriela Mistral Mine, which is referred to as Gabriela Mistral. In December 2010, CODELCO divided the former CODELCO Norte Division into the Chuquicamata and Radomiro Tomic Divisions.

- The Chuquicamata Division operates the Chuquicamata mine, one of the largest copper producing mines in the world, which began its operations in 1915 and currently includes smelting and refining capacities. In 2011, this division produced 443,381 metric tons of copper cathodes, or 24.7% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 110.8 cents per pound and a total cash cost of U.S.\$1,078 million.
- The Radomiro Tomic Division operates the Radomiro Tomic mine, which began its first full year of production in 1998 and is the world's largest producer of copper using the SX-EW technology. In 2011, this division produced 470,096 metric tons of copper cathodes, or 26.2% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 100.3 cents per pound and a total cash cost of U.S.\$1,028 million.

- The El Teniente Division is the operator of El Teniente mine, which is the world's largest underground copper mine and has been in operation for more than 100 years. The El Teniente Division includes the Caletones smelter. In 2011, this division produced 400,294 metric tons of copper, or 22.3% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 92.4 cents per pound and a total cash cost of U.S.\$810 million.
- 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 has been in operation since 1970 and produced 234,348 metric tons of copper in 2011, or 13.0% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 127.9 cents per pound and a total cash cost of U.S.\$639 million.
- The Salvador Division includes the Salvador mine and concentrator and the smelter/refinery complex at Potrerillos, which has a capacity to treat 671,000 metric tons of concentrate. Salvador produced 69,044 metric tons of copper cathodes in 2011 from its own mine production, or 3.8% of CODELCO's total copper output (not including CODELCO's share of the El Abra deposit), with a cash cost of 175.2 cents per pound and a total cash cost of U.S.\$267 million. CODELCO's Board of Directors has decided to phase out mining operations at the Salvador mine by 2016, or by 2021 if warranted by market and operational conditions. The Potrerillos smelter and refinery will continue to operate upon any cessation of the mining operations at Salvador.
- The Ventanas Division was created in connection with the acquisition of the Ventanas smelter/refinery complex from the Republic of Chile's state-owned mining company Empresa Nacional de Minería ("ENAMI") in May 2005. The Ventanas smelter has a capacity to treat 400,000 metric tons of concentrate. Ventanas refined 401,509 metric tons of copper in 2011. Pursuant to the terms of the acquisition, CODELCO is required to provide on market terms the necessary smelting and refining capacity for the treatment of copper concentrate delivered by the small- and medium-sized mining industry that ENAMI serves.
- The Mina Ministro Hales Division was created in September 2010 for the operation of the Mina Ministro Hales ore body, which is expected to begin operations starting at the end of 2013 and expected to produce an average of 170,000 tons of copper per year and 287 tons of silver per year when in full operation in 2014.

CODELCO also operates Gabriela Mistral, which uses SX-EW technology. Gabriela Mistral produced its first copper cathodes in May 2008 after a 26-month construction period at a cost of U.S.\$1.03 billion. In 2011, this mine produced 118,078 metric tons of copper, or 6.6% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit) with a cash cost of 163.5 cents per pound and a total cash cost of U.S.\$432 million. The ore body is located in Chile's Second Region and contains proven and probable reserves of 542 million metric tons of oxidized mineral with a grade of 0.4% of total copper.

For a description of CODELCO's associations with other companies, see "Business and Properties—Copper Production—Associations, Joint Ventures and Partnerships."

### **Competitive Strengths**

CODELCO believes it has certain distinguishing competitive strengths:

- *Copper Reserves.* CODELCO controls approximately 9% of the world's proven and probable copper reserves. In 2011, CODELCO's proven and probable reserves represented at least 34 years of future production at current levels. According to the U.S. Geological Survey, CODELCO's proven and probable reserves increased from 57.1 million tons in 2010 to 60.5 million tons in 2011.
- *Market Presence.* CODELCO is the largest copper producer in the world, with an estimated 11% share of the total world copper production, with 1.80 million metric tons (including CODELCO's share of the El Abra deposit) of production in 2011. CODELCO is also one of the largest producers of molybdenum in the world, with an estimated 9% share of total world molybdenum production, with 23,098 metric tons in 2011.

CODELCO believes its significant market presence gives the Company certain advantages in the marketing of its products.

- *Low Cost Producer.* For many years, CODELCO has been one of the world's lowest cost producers of copper, and has been within the first and second quartile in industry costs. This position is principally attributable to the quality of its ore bodies, its economies of scale, and the experience of its workforce and management. The Company intends to make every effort through investment and management to stay within the first quartile of the industry's cost curve in the long term. In 2011, CODELCO's total costs and expenses were 205.6 cents per pound, compared to 197.6 cents per pound in 2010 and 157.8 cents per pound in 2009. For the first three months of 2012, CODELCO's total costs and expenses were 219.2 cents per pound compared to 173.1 cents per pound for the same period in 2011. In 2011, CODELCO's total costs and expenses were U.S.\$7,866 million. For the first three months of 2012, CODELCO's total costs and expenses were U.S.\$1,800 million compared to U.S.\$1,581 million for the same period in 2011. In 2011, CODELCO's cash cost of production was 116.4 cents per pound, compared to 104.4 cents per pound in 2010 and 92.9 cents per pound in 2009. For the first three months of 2012, CODELCO's cash cost of production was 130.2 cents per pound, compared to 98.2 cents per pound for the first three months of 2011. In 2011, CODELCO'S total cash cost was U.S.\$4,408 million. For the first three months of 2012, CODELCO's total cash cost was U.S.\$1,058 million, as compared to U.S.\$889 million for the first three months of 2011. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview."
- *Research and Technological Innovation.* CODELCO remains competitive by developing and incorporating new technologies into its production processes, which aim to improve overall operations, including mining processes, efficiency, productivity, environmental protection, and worker safety.
- *Stable, Long-term and Geographically Diverse Client Base.* CODELCO has developed long-term relationships with the majority of its clients, including some of the leading manufacturers in the world.
- *Financial Strength.* In 2011, CODELCO's earnings before interest expense, taxes (including income and export taxes), depreciation and amortization (Adjusted EBITDA) amounted to U.S.\$8.8 billion; total debt to capitalization as of December 31, 2011 was 53.8% and the ratio of total debt to Adjusted EBITDA was 0.8%.
- *Management Efficiency and Flexibility.* CODELCO's copper reserves are concentrated 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 the largest company in Chile in terms of sales as of December 31, 2011, and is a key contributor to the Chilean government budget. In 2011, CODELCO contributed U.S.\$6.9 billion to the Chilean Treasury and accounted for approximately 20% of Chile's total exports. 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."

### **Business Strategy**

CODELCO's mission is to maximize the value of its mineral resources for the benefit of its shareholder, the Chilean State, by fully developing its vast mining resources on a timely basis, leveraging the Company's experienced workforce, utilizing its advanced technological assets in key areas and by executing the following key strategic initiatives:

- *Capital Expenditure Program.* The Company seeks to maintain and improve its competitive position in the industry through its capital expenditure program. Following the completion of a number of significant projects in recent years, such as the development of sulfide ores at the Radomiro Tomic mine, the expansion at the Andina mine and the development of the Pilar Norte area at El Teniente mine, CODELCO intends to continue its development program. Accordingly, the Company intends to make capital expenditures of approximately

U.S.\$27.4 billion over the next five years on major projects, transforming its main mining operations with a view towards the long-term development of its resources. The Company's investment plan for the next five years for expansion and development projects includes:

- the development of the Mina Ministro Hales ore body (U.S.\$1.9 billion investment to produce an expected total average of 170,000 tons of copper per year and 287 tons of silver per year when in full operation, which is expected in 2014);
- the expansion of the existing sulfide operation in the Radomiro Tomic mine (U.S.\$4.1 billion investment over the next five years to enable the Radomiro Tomic mine to produce an expected average of 345,000 tons of copper per year starting in 2016);
- the development of a new production level in the existing El Teniente underground mine (U.S.\$2.6 billion investment over the next five years to maintain El Teniente's current annual copper production of approximately 415,000 tons of copper per year starting in 2017; environmental approvals were obtained in March 2011);
- the gradual transfer of the Chuquicamata mine from an open pit mine to an underground operation (U.S.\$2.2 billion investment over the next five years to enable Chuquicamata to produce an expected total average of 343,000 tons of copper per year starting in 2018; environmental approvals were obtained in September 2010); and
- the expansion of the existing Andina mine (U.S.\$1.9 billion investment over the next five years to enable Andina to produce an expected average of an additional 306,000 tons of copper per year for a total expected average of approximately 600,000 tons of copper per year starting in 2020).

For a complete list of planned capital expenditures, see "Business and Properties—Copper Production—Operations."

- *Improvement in Operations.* A number of improvement initiatives are underway to adopt best industry practices, most notably in the areas of labor productivity, asset utilization rates and process efficiency. Together with its capital expenditure program, these initiatives are expected to enhance CODELCO's competitive position. The Company operates in a cyclical business and CODELCO's strategy is to ensure that it is able to take full advantage of high copper prices, even if this results in operating at a higher than optimal cost structure. The Company is developing a number of plans to achieve production targets in the coming years. These plans mainly focus on reducing the risk of disruptions to production and on providing increased flexibility to its operations.
- *Exploration Effort.* CODELCO controls the largest copper reserves worldwide, the Company's single most important long-term competitive advantage. The discovery of new mining resources and improving its ability to locate existing ore bodies and prospects are critical to maintain this preeminent position in the industry. Accordingly, the Company's exploration program will continue to be a key part of its business strategy.
- *Investment in Human Capital.* The successful execution of CODELCO's business strategy relies on continuing to attract and retain a world-class management team and professionals of the highest caliber. Against the background of increased competition for talent in the mining industry, the Company will continue to improve career development opportunities for its staff and the overall attractiveness of CODELCO as a preferred employer.
- *Mining Association with Third Parties.* CODELCO seeks to continue to develop and operate assets in association with third parties in situations where these associations will add value to CODELCO's business. An example of the Company's willingness and ability to do so is the association with Freeport McMoran in the El Abra copper mine (CODELCO owns 49%). CODELCO believes its large mining reserve is a strong platform from which to establish such associations.

## Recent Developments

### *Anglo American Proceedings*

On December 19, 2008, CODELCO purchased from ENAMI for U.S.\$175 million an option to purchase up to 49% of the equity of Anglo American Sur S.A. (“Anglo Sur”), a wholly-owned subsidiary of Anglo American plc (“Anglo American”), for a price which is determined by a prescribed formula based on a multiple of historic earnings. Under the terms of the option agreement, CODELCO is required to acquire, in addition to the shares of Anglo Sur, a percentage of the intercompany debt, amounting to approximately U.S.\$1,533 million, between Anglo American and Anglo Sur equal to the percentage of the equity CODELCO acquires, or approximately U.S.\$751 million provided an acquisition of 49% of the equity of Anglo Sur. Anglo Sur owns and operates the mines at Los Bronces and El Soldado along with the Chagres Smelter and various mineral resources, including Los Sulfatos and San Enrique Monolito, located in the southwest portion of the Rio Blanco-Los Bronces porphyry-type deposit in central Chile. Anglo Sur’s reported consolidated profit was U.S.\$797.9 million for the year ended December 31, 2011 and U.S.\$900.3 million for the year ended December 31, 2010. Anglo Sur reported that in 2011, Los Bronces mine produced over 221,000 tons of fine copper, El Soldado mine produced more than 46,000 tons of fine copper and the Chagres Smelter produced approximately 138,200 tons of fine copper. Pursuant to the option, CODELCO has the right to exercise the option only during the month of January in every third year, beginning in 2009 through 2027.

On July 29, 2011, Anglo American informed CODELCO that a 49% stake in Anglo Sur was available and provided an estimated strike price for the option. Subsequently, Anglo American offered to purchase CODELCO’s right to buy 49% of Anglo Sur, but the parties did not reach an agreement. In October 2011, CODELCO announced its decision to exercise its call option to purchase a 49% stake in Anglo Sur in January 2012. On November 9, 2011, Anglo American announced the sale of a 24.5% interest in Anglo Sur to Mitsubishi Corp., stating that such action reduced to 24.5% the amount of equity in Anglo Sur available to CODELCO under the option. On November 14, 2011, CODELCO requested a preliminary injunction from the Santiago Court of Appeals to block any further sales of Anglo Sur shares by Anglo American prior to the exercise window for the call option, which was granted by the court.

On January 2, 2012, CODELCO exercised its call option to purchase a 49% stake in Anglo Sur. Previously, on December 22, 2011, Anglo American and affiliates filed a legal complaint against CODELCO before the 14th Civil Court of Santiago, asserting that CODELCO had breached certain of its obligations under the option agreement and seeking rescission, as well as damages. On January 10, 2012, CODELCO filed a counterclaim against Anglo American and affiliates based on the non-performance of the obligations under the option rights of CODELCO, and seeking to enforce its right to exercise the call option for 49%. On January 13, 2012, CODELCO obtained an injunction that prevents Anglo American from selling any of the 49% option shares while the judicial proceedings are in place. As publicly disclosed, on May 22, 2012, the judicial proceedings were suspended for a period of 30 days until June 22, 2012, and then for a second period ending July 17, 2012, during which CODELCO and Anglo American have agreed to pursue discussions aimed at reaching a possible settlement of all such claims. There can be no assurance that the parties will reach a settlement related to these claims.

CODELCO entered into an agreement with Mitsui & Co. Ltd (“Mitsui”) on October 12, 2011, pursuant to which Mitsui made available to CODELCO’s wholly-owned investment subsidiary, Inversiones Mineras Acrux SpA (“Acrux”), a short-term bridge financing facility of up to U.S.\$5.8 billion, guaranteed by CODELCO and subsidiaries of Acrux, as a possible means to fund the exercise of the call option. CODELCO also entered into a separate agreement with Mitsui that provides CODELCO with the option to repay a portion of the bridge loan from Mitsui through a put option for an indirect 50% stake in the Anglo Sur interest acquired, assuming a pre-determined value for the 49% interest in Anglo Sur of approximately U.S.\$9.76 billion. The balance of the bridge loan would convert into a non-recourse five-year term loan between Acrux and Mitsui, which will not be guaranteed by CODELCO, and will be repayable only from cash distributions on the Anglo Sur shares held by Acrux. In addition, CODELCO and Mitsui entered into a 10-year sale and purchase agreement for the equivalent of 30,000 tons of fine copper per year subject to market-based pricing terms.

#### *Loan Facility*

In May 2012, CODELCO secured a U.S.\$320 million loan facility from the Japan Bank for International Cooperation and The Bank of Tokyo-Mitsubishi UFJ, Ltd. for the development, construction and operation of a metals processing plant to be constructed in Mejillones and the export of certain metals to Japanese customers pursuant to long-term offtake agreements. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Bank Debt.”

#### *Appointment of New CEO*

In May 2012, CODELCO announced the resignation of Diego Hernandez as the Chief Executive Officer and appointed Thomas Keller, former Chief Financial Officer, as the new Chief Executive Officer of the Company. As of the date of this offering memorandum, José Robles is the Interim Chief Financial Officer.

#### **Corporate Information**

CODELCO’s principal executive offices are located at Huérfanos 1270, Santiago, Chile, and its telephone number is (56) 2 690-3000. CODELCO was established by Decree Law 1.350, published in the Official Gazette of February 28, 1976, as amended by Decree Law 20.392, published in the Official Gazette on November 14, 2009.

### The Offering

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer .....             | Corporación Nacional del Cobre de Chile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Securities Offered ..... | <p>U.S.\$1,250,000,000 aggregate principal amount of 3.00% notes due 2022 (the “2022 notes”).</p> <p>U.S.\$750,000,000 aggregate principal amount of 4.25% notes due 2042 (the “2042 notes” and, together with the 2022 notes, the “notes”).</p>                                                                                                                                                                                                                                                                                                                                                                                         |
| Issue Price.....         | <p>The issue price of the 2022 notes is 98.663%.</p> <p>The issue price of the 2042 notes is 97.547%.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Interest .....           | <p>2022 notes: 3.00% per year.</p> <p>2042 notes: 4.25% per year.</p> <p>The interest on the notes of each series will be payable semi-annually in arrears on January 17 and July 17 of each year, beginning on January 17, 2013. See “Description of Notes.”</p>                                                                                                                                                                                                                                                                                                                                                                        |
| Maturity .....           | <p>2022 notes: July 17, 2022.</p> <p>2042 notes: July 17, 2042.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 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%. Subject to specified exceptions and limitations, CODELCO will pay Additional Amounts (as defined in “Description of Notes—Payment of 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 in respect of withholding or deduction of Chilean tax at a rate in excess of 4%. 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 book-entry form only in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The notes will be represented by one or more Global Notes registered in the name of a nominee of The Depository Trust Company (“DTC”), as depository, for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V. (“Euroclear”), as operator of the Euroclear system, and Clearstream Banking, <i>société anonyme</i> , Luxembourg (“Clearstream”). See “Description of Notes.”                                                                                             |
| Payments; Transfers .....   | 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.                                                                                                                                                                           |
| Ranking.....                | <p>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.</p> <p>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.”</p> |
| 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 hereby at a future date. See “Description of Notes—Further Issues of Notes.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Listing.....                                   | Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market in accordance with its rules and regulations. If any European or national legislation is adopted and is implemented or takes effect in Luxembourg in a manner that would 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.”                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Expected Ratings .....                         | 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 A1 and a Long Term Foreign Issuer Credit rating by S&P of A. A securities 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 finance partially capital expenditures, cancel short-term indebtedness and for general corporate purposes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Fiscal and Paying Agent .....                  | The Bank of New York Mellon                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

### **Risk Factors**

14. Before investing, you should carefully consider the risks set forth under “Risk Factors” beginning on page

## SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables present 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, included elsewhere in this offering memorandum, from which all such data (other than the average London Metal Exchange ("LME") copper prices) has been derived. The data should also be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Year-end Consolidated Financial Statements for 2009, 2010 and 2011, and the Unaudited Interim Consolidated Financial Information for the three month periods ended March 31, 2011 and 2012, and other financial information included in this offering memorandum are presented in accordance with IFRS. The unaudited interim information for the three-month periods ended March 31, 2011 and 2012 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 three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012 or any other period.

|                                                                                              | For the year ended December 31, |                         |                         | For the three months ended March 31, |                      |                      |
|----------------------------------------------------------------------------------------------|---------------------------------|-------------------------|-------------------------|--------------------------------------|----------------------|----------------------|
|                                                                                              | 2009                            | 2010                    | 2011                    | 2011                                 | 2012                 |                      |
|                                                                                              | (in thousands of U.S.\$)        |                         |                         | (unaudited)                          |                      |                      |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME                                               |                                 |                         |                         |                                      |                      |                      |
| Revenues .....                                                                               | \$ 12,379,137                   | \$ 16,065,946           | \$ 17,515,296           | \$ 4,304,946                         | \$ 3,963,855         |                      |
| Cost of sales <sup>(1)</sup> .....                                                           | (7,666,010)                     | (9,088,740)             | (10,283,026)            | (2,342,924)                          | (2,374,091)          |                      |
| Gross profit .....                                                                           | 4,713,127                       | 6,977,206               | 7,232,270               | 1,962,022                            | 1,589,764            |                      |
| Other income .....                                                                           | 308,363                         | 141,473                 | 726,185                 | 505,952                              | 25,568               |                      |
| Distribution cost .....                                                                      | (19,157)                        | (14,994)                | (11,114)                | (3,262)                              | (3,533)              |                      |
| Administrative expenses .....                                                                | (323,836)                       | (390,234)               | (452,217)               | (96,403)                             | (112,103)            |                      |
| Other expenses <sup>(2)</sup> .....                                                          | (1,458,441)                     | (2,058,867)             | (2,307,326)             | (437,737)                            | (352,329)            |                      |
| Other gains .....                                                                            | 14,749                          | 28,040                  | 38,709                  | 10,241                               | 8,504                |                      |
| Finance income .....                                                                         | 27,666                          | 35,559                  | 44,701                  | 9,548                                | 10,129               |                      |
| Finance cost .....                                                                           | (318,757)                       | (331,132)               | (294,496)               | (75,682)                             | (69,594)             |                      |
| Share of profit of associates and joint ventures accounted for using the equity method ..... | 310,651                         | 303,395                 | 353,440                 | 14,840                               | 116,129              |                      |
| Exchange differences .....                                                                   | (266,531)                       | (202,524)               | 216,998                 | 78,281                               | (72,971)             |                      |
| Profit for the period before tax .....                                                       | 2,987,834                       | 4,487,922               | 5,547,150               | 1,967,800                            | 1,139,564            |                      |
| Income tax expense <sup>(3)</sup> .....                                                      | (1,813,643)                     | (2,611,601)             | (3,491,798)             | (1,225,229)                          | (683,739)            |                      |
| Profit for the period .....                                                                  | 1,174,191                       | 1,876,321               | 2,055,352               | 742,571                              | 455,825              |                      |
| Profit attributable to owners of parent .....                                                | 1,176,226                       | 1,877,659               | 2,056,414               | 742,872                              | 456,024              |                      |
| Profit (loss), attributable to non-controlling interests .....                               | (2,035)                         | (1,338)                 | (1,062)                 | (301)                                | (199)                |                      |
| Profit for the period .....                                                                  | \$ 1,174,191                    | \$ 1,876,321            | \$ 2,055,352            | \$ 742,571                           | \$ 455,825           |                      |
| STATEMENTS OF FINANCIAL POSITION INFORMATION                                                 |                                 |                         |                         |                                      |                      |                      |
|                                                                                              | As of January 1, 2009           | As of December 31, 2009 | As of December 31, 2010 | As of December 31, 2011              | As of March 31, 2011 | As of March 31, 2012 |
|                                                                                              | (in thousands of U.S.\$)        |                         |                         | (unaudited)                          |                      |                      |
| Total current assets .....                                                                   | \$ 3,729,946                    | \$ 4,995,564            | \$ 6,623,885            | \$ 5,906,920                         | \$ 6,478,628         | \$ 6,030,334         |
| Total property, plant and equipment .....                                                    | 10,507,650                      | 11,210,433              | 12,351,430              | 13,437,764                           | 12,409,871           | 13,656,757           |
| Investments accounted for using the equity method <sup>(4)</sup> .....                       | 1,084,470                       | 1,100,156               | 588,365                 | 945,055                              | 707,871              | 1,012,049            |
| Non-current receivables .....                                                                | 149,234                         | 198,102                 | 198,785                 | 132,721                              | 179,620              | 218,203              |
| All other assets .....                                                                       | 263,493                         | 749,625                 | 516,576                 | 412,484                              | 501,642              | 380,701              |
| Total assets .....                                                                           | \$ 15,734,793                   | \$ 18,253,880           | \$ 20,279,041           | \$ 20,834,944                        | \$ 20,277,632        | \$ 21,298,044        |
| Total current liabilities .....                                                              | 3,022,841                       | 4,096,615               | 5,243,827               | 4,416,082                            | 5,330,870            | 4,305,723            |
| Total non-current liabilities .....                                                          | 8,147,686                       | 9,714,038               | 10,504,002              | 10,353,832                           | 10,102,792           | 10,456,180           |
| Total liabilities .....                                                                      | \$ 11,170,527                   | \$ 13,810,653           | \$ 15,747,829           | \$ 14,769,914                        | \$ 15,433,662        | \$ 14,761,903        |
| Non-controlling interests .....                                                              | 2,951                           | 2,007                   | 1,994                   | 2,020                                | 2,800                | 2,326                |
| Equity attributable to owners of parent .....                                                | 4,561,315                       | 4,441,220               | 4,529,218               | 6,063,010                            | 4,841,170            | 6,533,815            |
| Total equity .....                                                                           | \$ 4,564,266                    | \$ 4,443,227            | \$ 4,531,212            | \$ 6,065,030                         | \$ 4,843,970         | \$ 6,536,141         |
| Total liabilities and equity .....                                                           | \$ 15,734,793                   | \$ 18,253,880           | \$ 20,279,041           | \$ 20,834,944                        | \$ 20,277,632        | \$ 21,298,044        |

| OTHER ITEMS                                                      | For the year ended December 31,                           |              |              | For the three months ended March 31, |              |
|------------------------------------------------------------------|-----------------------------------------------------------|--------------|--------------|--------------------------------------|--------------|
|                                                                  | 2009                                                      | 2010         | 2011         | 2011                                 | 2012         |
|                                                                  | (in thousands of U.S.\$, except ratios and copper prices) |              |              |                                      |              |
|                                                                  |                                                           |              |              | (unaudited)                          |              |
| Depreciation and amortization of assets .....                    | \$ 1,082,086                                              | \$ 1,304,600 | \$ 1,485,357 | \$ 359,178                           | \$ 392,802   |
| Interest income (expense), net .....                             | \$ (291,091)                                              | \$ (295,573) | \$ (249,795) | \$ (66,134)                          | \$ (59,465)  |
| Ratio of earnings to fixed charges <sup>(5)</sup> .....          | 10.4                                                      | 14.6         | 19.8         | 27.0                                 | 17.4         |
| Average LME copper price (U.S. ¢ per pound) <sup>(6)</sup> ..... | 234.22                                                    | 341.98       | 399.66       | 437.52                               | 376.94       |
| Adjusted EBITDA <sup>(7)</sup> .....                             | \$ 5,368,583                                              | \$ 7,434,387 | \$ 8,812,554 | \$ 2,771,076                         | \$ 1,907,019 |
| Ratio of debt to Adjusted EBITDA .....                           | 0.9                                                       | 0.9          | 0.8          | —                                    | —            |
| Adjusted EBITDA coverage ratio <sup>(8)</sup> .....              | 18.4                                                      | 25.2         | 35.3         | 41.9                                 | 32.1         |

- (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) Other expenses is comprised principally of costs related to retirement plan and severance indemnities, costs of environmental exit, restoration and similar liabilities and the 10% special 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) CODELCO was subject to a 5% mining tax calculated on its operating income for the fiscal years 2010 and 2011. Effective for its 2012 fiscal year, CODELCO is subject to a mining tax on operating income at progressive rates of between 5% and 14%. The tax is imposed on operating income generated during the operating year. The effective rate of the mining tax was 5.7% for CODELCO in 2011. 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.” See also “Risk Factors—Risks Relating to CODELCO’s Relationship with the Chilean Government—CODELCO is subject to special taxes and distributions” for information related to the mining tax rate effective in 2012. In addition, CODELCO is subject to a special corporate income tax rate of 20% for 2011 and 18.5% for 2012 (17% regular corporate tax rate) and a 40% tax on net earnings applicable to state-owned enterprises as 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) See Note 9 to the Unaudited Interim Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- (5) For the purpose of calculating CODELCO’s ratio of earnings to fixed charges, (i) earnings consist of profit (loss) and finance cost and (ii) fixed charges consist of finance cost.
- (6) Average price on the LME for Grade A cathode copper during period.
- (7) Adjusted EBITDA is calculated by adding finance cost, taxes (including income and export taxes), depreciation and amortization to net income, in each case determined in accordance with IFRS. Adjusted EBITDA is presented because it is a widely accepted indicator of funds available to service debt, although it is not an IFRS-based measure of liquidity or performance. The Company believes that Adjusted 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 Adjusted EBITDA may be different than the calculation used by other companies and therefore, comparability may be affected.
- (8) Adjusted EBITDA coverage ratio is the ratio of Adjusted EBITDA to finance cost net of finance income.

The following table shows CODELCO's Adjusted EBITDA and reconciles its Adjusted EBITDA with profit under IFRS for the periods indicated.

|                                               | For the year ended December 31, |                     |                     | For the three months ended March 31, |                    |
|-----------------------------------------------|---------------------------------|---------------------|---------------------|--------------------------------------|--------------------|
|                                               | 2009                            | 2010                | 2011                | 2011                                 | 2012               |
|                                               | (in thousands of U.S.\$)        |                     |                     | (unaudited)                          |                    |
| Profit for the period .....                   | \$ 1,174,191                    | \$ 1,876,321        | \$ 2,055,352        | \$ 742,571                           | \$ 455,825         |
| Income tax expense .....                      | 1,813,643                       | 2,611,601           | 3,491,798           | 1,225,229                            | 683,739            |
| Depreciation and amortization of assets ..... | 1,082,086                       | 1,304,600           | 1,485,357           | 359,178                              | 392,802            |
| Export taxes.....                             | 979,906                         | 1,310,733           | 1,485,551           | 368,416                              | 305,059            |
| Finance cost.....                             | 318,757                         | 331,132             | 294,496             | 75,682                               | 69,594             |
| Adjusted EBITDA.....                          | <u>\$ 5,368,583</u>             | <u>\$ 7,434,387</u> | <u>\$ 8,812,554</u> | <u>\$2,771,076</u>                   | <u>\$1,907,019</u> |

The following table shows CODELCO's earnings, ratio of earnings to fixed charges and reconciliation of earnings to profit under IFRS for the periods indicated.

|                                                         | For the year ended December 31,         |                     |                     | For the three months ended March 31, |                     |
|---------------------------------------------------------|-----------------------------------------|---------------------|---------------------|--------------------------------------|---------------------|
|                                                         | 2009                                    | 2010                | 2011                | 2011                                 | 2012                |
|                                                         | (in thousands of U.S.\$, except ratios) |                     |                     | (unaudited)                          |                     |
| Profit for the period .....                             | \$ 1,174,191                            | \$ 1,876,321        | \$ 2,055,352        | \$ 742,571                           | \$ 455,825          |
| Income tax expense .....                                | 1,813,643                               | 2,611,601           | 3,491,798           | 1,225,229                            | 683,739             |
| Finance cost.....                                       | 318,757                                 | 331,132             | 294,496             | 75,682                               | 69,594              |
| EBIT.....                                               | <u>\$ 3,306,591</u>                     | <u>\$ 4,819,054</u> | <u>\$ 5,841,646</u> | <u>\$ 2,043,482</u>                  | <u>\$ 1,209,158</u> |
| Ratio of earnings to fixed charges <sup>(1)</sup> ..... | 10.4                                    | 14.6                | 19.8                | 27.0                                 | 17.4                |

(1) Fixed charges consist of finance cost. The ratio of earnings to fixed charges is calculated by dividing earnings by finance cost.

The following table shows CODELCO's debt and ratio of debt to Adjusted EBITDA and Adjusted EBITDA coverage ratio under IFRS for the periods indicated.

|                                                     | For the year ended December 31,         |              |              | For the three months ended March 31, |              |
|-----------------------------------------------------|-----------------------------------------|--------------|--------------|--------------------------------------|--------------|
|                                                     | 2009                                    | 2010         | 2011         | 2011                                 | 2012         |
|                                                     | (in thousands of U.S.\$, except ratios) |              |              | (unaudited)                          |              |
| Debt.....                                           | \$ 4,667,954                            | \$ 6,346,437 | \$ 7,049,274 | \$ 6,457,757                         | \$ 7,114,672 |
| Ratio of debt to Adjusted EBITDA .....              | 0.9                                     | 0.9          | 0.8          | —                                    | —            |
| Finance income .....                                | 27,666                                  | 35,559       | 44,701       | 9,548                                | 10,129       |
| Adjusted EBITDA coverage ratio <sup>(1)</sup> ..... | 18.4                                    | 25.2         | 35.3         | 41.9                                 | 32.1         |

(1) Adjusted EBITDA coverage ratio is the ratio of Adjusted EBITDA to finance cost net of finance income.

## **RISK FACTORS**

*Prospective purchasers of the notes offered hereby should carefully consider all the other 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."

In the first three months of 2012, copper prices averaged 376.94 cents per pound, down from 437.52 cents per pound in the same period in 2011, which may be attributed in part to the European financial crisis and uncertainty in the demand for copper in China. China has been the main driver of copper consumption over the last few years, and in 2009, 2010 and 2011, 46.5%, 42.8% and 37.7%, respectively, of CODELCO's sales were made to China. If economic conditions deteriorate in China, the market price of copper could fall. A decline in copper prices would have an adverse impact on CODELCO's revenues and financial results. In 2011, each one-cent change in CODELCO's average annual copper price per pound caused a variation in operating profit of approximately U.S.\$40 million. 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. See "Management's Discussion and Analysis of Financial Condition and Results of 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 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 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 73.1% of its copper output in 2011 (including CODELCO's share in El Abra). The Chuquicamata mine produced an aggregate of 443,381 metric tons of copper in 2011, and the Radomiro Tomic mine produced an aggregate of 470,096 metric tons of copper in the same period. The El Teniente Division, including the Caletones smelter, produced 400,294 metric tons of copper in 2011. 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. CODELCO cannot assure you that production interruptions will not occur or that any such incident would not materially adversely affect its production. See "Business and Properties—Operations—Chuquicamata

Division,” “Business and Properties—Operations—Radomiro Tomic Division,” and “Business and Properties—Operations—El Teniente Division.”

***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, weather and other natural phenomena, such as earthquakes, fires 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.

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 past, Chile has 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 a drought or CODELCO was otherwise unable to obtain adequate water supplies, CODELCO’s ability to conduct its operations could be impaired.

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

Chile has adopted environmental, health and safety regulations requiring 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 and air, among other requirements. If environmental authorities declare an area to be polluted, a pollution reduction or a pollution prevention plan is required. Either type of plan may contain measures that may increase the costs of developing new facilities or expanding existing ones in the designated area. Some of the areas where CODELCO operates have been declared polluted. The measures currently included in the pollution prevention or reduction plans that govern these areas are subject to change and may become more stringent if compliance with the quality standards is not achieved. CODELCO must comply with certain air quality environmental regulations regarding particulate matter (PM<sub>10</sub>) and sulfur dioxide (SO<sub>2</sub>) in the areas surrounding the Potrerillos, Caletones, Ventanas and Chuquicamata smelting plants. The Potrerillos, Caletones and Ventanas smelting plants have pollution reduction plans for such pollutants. Due to a reduction in the amount of SO<sub>2</sub> emissions and meeting applicable quality standards, a new pollution prevention plan for SO<sub>2</sub> is being developed for the area surrounding the Chuquicamata smelting plant. In addition, the pollution reduction plan for PM<sub>10</sub> at Chuquicamata is currently undergoing a review process. CODELCO is unable to fully assess yet what may be required of the Company or the cost of compliance with the revised PM<sub>10</sub> pollution reduction plan or any future changes to the other plans covering the areas where CODELCO operates. See “Regulatory Framework—Environmental Regulation.”

Environmental, health and safety laws and regulations are complex, change frequently and have tended to become increasingly stringent over time. For example, changes to current environmental laws and regulations and additional environmental laws and regulations have recently been adopted, including mine closure legislation that would require financial guarantees, and additional changes are pending and may be adopted in Chile, particularly those regarding water quality standards (including regulations to develop water quality standards for the Loa, Aconcagua and Cachapoal rivers) and air emission standards for smelters. Each of these laws and regulations could

result in significant additional environmental compliance costs. At March 31, 2012, CODELCO had total provisions of U.S.\$854 million for mine closure expenses (asset retirement and decommissioning). CODELCO is currently unable to estimate the costs of complying with potential new regulations regarding smelter emissions, but such costs could be material. CODELCO's operations outside of Chile are also subject to extensive international, national and local environmental, health and safety laws and regulations.

CODELCO is developing and implementing environmental management systems at each of its divisions to monitor and achieve compliance with applicable environmental laws and regulations. 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 expenditures and capital commitments will be sufficient to achieve future compliance. There also can be no assurance that CODELCO has been or will be at all times in complete compliance with environmental laws and regulations, or that proceedings or civil actions will not be brought, or that fines and other sanctions will not be imposed for such non-compliance in the future. In addition, 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 liabilities would not have a material adverse effect on CODELCO's business, financial condition, results of operations or prospects.

For further information on environmental matters, and current and proposed environmental laws and regulations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Environmental" and "Regulatory Framework—Environmental Regulations."

***Earthquake damage to CODELCO's properties and operations could negatively affect CODELCO's results.***

Chile is located in a seismic area that exposes CODELCO's operations to the risk of earthquakes. Chile has been adversely affected by powerful earthquakes in the past, including, most recently, in February 2010 when a severe earthquake struck the southern-central region of Chile. The earthquake and its aftershocks, as well as tsunamis from adjacent coastal waters, caused severe damage to Chile's infrastructure, including roads, bridges, ports and Santiago's international airport.

Although the February 2010 earthquake did not have any substantial effect on CODELCO or its results of operations, and although CODELCO's mining operations are subject to, and designed to withstand, damage from significant seismic events, an earthquake occurring closer to CODELCO's operations in northern Chile could cause damage to its mining operations that would not be covered by insurance, except to the extent that its production ceased for more than 30 days. Any such damages caused by an earthquake that were not covered by insurance could have an adverse effect on CODELCO's results of operations, earnings and cash flow.

***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. CODELCO expects to make capital expenditures of approximately U.S.\$27.4 billion over the next five years on major projects, which it intends to finance through depreciation, amortization, deferred taxes, debt financing and, subject to approval each year by the Ministries of Mining and Finance, retention in the range of 10% to 15% of its pre-tax profit in each year over the next five years. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Expenditure Program." There can be no assurance that CODELCO will be able to maintain its production levels or generate sufficient cash flow, capitalize a sufficient amount of its net income or have access to sufficient investments, loans or other financing alternatives to finance its capital expenditure program at a level necessary 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 be successful. In addition, there may be some degree of execution risk associated with the expansion of operations into deeper mines or mines at higher altitudes. CODELCO's expansion program could also experience delays or be negatively impacted by higher costs. For a description of CODELCO's current development programs, see "Business and Properties—Resource Development."

***CODELCO has experienced high energy costs and may experience higher energy costs in the future.***

Energy represents a material portion of the production costs for CODELCO. The main energy sources for CODELCO's operations are electricity, liquid fuels (such as diesel, fuel oil and gasoline) and natural gas. Since 2004, there has been a restricted supply of natural gas from Argentina. CODELCO's production costs have increased due to these shortages, as it must rely on electricity generated from more expensive sources, such as diesel, oil or coal, and such increased costs have adversely affected CODELCO's results. CODELCO has taken certain actions to secure the sources from which it can procure energy, including the participation in the construction of liquefied natural gas ("LNG") re-gasification terminals and entering into electrical and liquid fuels contracts which are expected to meet its energy requirements. See "Business and Properties—Production Costs of Copper." If CODELCO is unable to procure sufficient energy at reasonable prices in the future or its energy suppliers do not perform as expected, CODELCO's profits and cash flow could be adversely affected.

***Labor disruptions involving CODELCO's employees or the employees of its independent contractors could affect CODELCO's production levels and costs.***

On December 31, 2011, CODELCO employed 18,247 employees, 86.6% of whom were 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 material work slowdowns, work stoppages and strikes in the past.

CODELCO was involved in negotiating seven collective bargaining agreements in 2011, four of which were negotiated before the termination of the contracts, without conflict or work stoppage: one in the Chuquicamata Division, one in the Radomito Tomic Division, one in the Ministro Hales Division, three in the El Teniente Division and one in the Headquarters, covering a total of 4,973 employees. In 2012, three collective bargaining agreements have been negotiated in advance without any conflict: one in the Andina Division and two in the Ventanas Division, covering a total of 1,148 employees. There are three additional collective bargaining agreements that expire by the end of 2012 involving headquarters supervisors and two workers' unions in the Andina Division, covering 1,376 employees.

There can be no assurance that a work slowdown or work stoppage will not occur prior to or upon the expiration of the current collective bargaining 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.

On July 11, 2011, a one-day strike was called by the Federation of Copper Workers (FTC), which resulted in an approximately 5,000 metric ton decrease in production. CODELCO and the FTC subsequently signed a framework agreement to regulate relations within the Company between management and workers and to foster a dialogue concerning the competitiveness of the Company.

As of March 31, 2012, there were 28,682 employees of regular independent operating contractors and 20,717 employees of contractors involved in the development of CODELCO's investment projects. At the end of July 2007, a small portion of contract workers that provide services to CODELCO in various divisions went on a strike that lasted 37 days. During 2007, a framework agreement was signed that established programs to improve the benefits for the workers. Nevertheless, there was another strike in April and May of 2008 by workers of CODELCO's contractors that lasted 12 days at El Teniente and 20 days at Salvador, reducing production by 30,000 metric tons. A similar strike occurred in May 2011 that lasted 55 days in El Teniente, which resulted in an approximately 17,000 metric ton decrease in production. This strike was resolved through dialogue and agreement between representatives of the workers and the association of contractor companies (Asociación Gremial de Empresas para la Minería y Rubros Asociados ("AGEMA")). While none of the strikes had a material effect on CODELCO's results of operations, CODELCO has experienced material and more protracted work disruptions in the past.

In August 2011, the AGEMA and the Confederation of Copper Workers ("CTC") signed an agreement to prevent strikes such as the one at El Teniente in April and May of 2008 for the benefit of employees of contractors that permanently service various CODELCO divisions and production facilities, including Gabriela Mistral. The agreement provides for the payment of a bonus by the contractor companies to certain contract employees, which will be paid in installments until December 2013, and better working practices. There can be no assurance that a work slowdown or stoppage will not occur prior to or upon the completion of the agreed bonus payment, and CODELCO is unable to estimate the effect of any such events on CODELCO's production levels.

Work slowdowns, stoppages and other labor related events could increase CODELCO's independent contracting costs, which could have a material adverse effect on the business, financial condition, results of operations or prospects of CODELCO. In addition, pursuant to the Labor Code of the Republic of Chile (*Código Laboral*), CODELCO could be held liable for the payment of labor and social security obligations owed to the employees of independent contractors if the independent contractors do not fulfill those payment obligations.

Law 20.123 governing subcontractors provides incentives for companies to ensure that contractors and subcontractors comply with labor, health and safety regulations and standards with respect to their own employees. It also regulates the provision of transitory services by contractors and subcontractors enabling the creation of companies for this specific purpose.

For further information on employee and independent contractor matters, see "Business and Properties—Employees."

***CODELCO engages in hedging activity from time to time, particularly with respect to its copper production, which may not be successful and may result in losses to CODELCO.***

CODELCO hedges certain future copper delivery commitments and production in order to manage the risk associated with copper price volatility. As of March 31, 2012, these hedges had a range of maturities through January 2013, covered approximately 112,500 metric tons of copper (not to exceed approximately 7.6% of anticipated annual production in any of the years covered), and had an outstanding negative exposure (mark-to-market value less than their carrying values) before taxes of U.S.\$636 million. In the first three months of 2012, CODELCO's production hedging activities had a negative impact of U.S.\$203 million on pre-tax income, with the effect of the hedges being reflected in CODELCO's sales at the time they are settled. See Note 24 to the Unaudited Interim Consolidated Financial Statements.

CODELCO's production hedging activities could cause it to lose the benefit of an increase in copper prices if copper prices increase over the level of CODELCO's hedge position, as occurred in 2011 and the first quarter of 2012. The cash flows from and the mark-to-market values of CODELCO's production hedges can be affected by factors such as the market price of copper, copper price volatility and interest rates, which are not under CODELCO's control.

CODELCO's production hedging agreements contain events of default and termination events that could lead to early close-outs of CODELCO's hedges. These include failure to pay, breach of the agreement, misrepresentation, default under CODELCO's loans or other hedging agreements and bankruptcy. In the event of an early termination of CODELCO's hedging agreements, the cash flows from the affected hedge instruments would cease and CODELCO and the relevant hedge counterparty would settle all of CODELCO's obligations at that time. In that event, there could be a lump sum payment to be made either to or by CODELCO. The magnitude and direction of such a payment would depend upon, among other things, the characteristics of the particular hedge instruments that were terminated and the market price of copper and copper price volatility and interest rates at the time of termination.

In addition to its production hedging activities, CODELCO has hedged a portion of its exchange rate and interest rate exposure by entering into forward exchange contracts to hedge against fluctuations in the UF to U.S. dollar exchange rate for its outstanding UF-denominated bonds. CODELCO also 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. No assurance can be given that CODELCO will be adequately protected by its hedging activities.

See "Business and Properties—Marketing—Pricing and Hedging," Note 28 to the 2011 Year end Consolidated Financial Statements and Note 28 to the Unaudited Interim Consolidated Financial Statements for further information on CODELCO's hedging activity.

### **Risks Relating to CODELCO's Relationship with the Chilean Government**

***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 of indefinite duration with its own legal personality and capital. CODELCO's relationship with the Government of Chile is through the Ministry of Mining, and is governed by Decree Law 1.350, as amended by Law 20.392, its bylaws and other applicable legislation. The President of the Republic is vested with the authority analogous to that of the shareholders of a corporation (*sociedad anónima*) under Chilean law, which may be delegated in whole or in part to the Ministers of Finance and Mining, jointly. Pursuant to such authority, the President of the Republic names CODELCO's nine directors and approves any amendments to CODELCO's bylaws. Senior management and administration of the Company are vested in its Board of Directors and further delegated to its Chief Executive Officer. Pursuant to Decree Law 1.350, CODELCO's Board of Directors must submit its proposed annual budget to the Ministries of Mining and Finance for approval and possible revision. In addition, Decree Law 1.350 requires 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 must also submit a three-year Business

Development Plan (*Plan de Negocios de Desarrollo*) (“BDP”), approved by the Company’s Board of Directors, to the Ministries of Mining and Finance by March of each year. There is no guarantee that actions taken with respect to the appointment of CODELCO’s directors, amendments to its bylaws, and revision and approval of its budget, including CODELCO’s capitalization of net income, are or will be the same as they would be in a privately owned company. See “Management” and “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 and according to its governing law, CODELCO’s net income is required to be transferred to the Chilean Treasury. Before June 30 of each year, the Ministries of Mining and Finance determine, by means of a joint decree, the amount that the Company shall allocate to the creation of capitalization and reserve funds. In June 2012, the Ministries of Mining and Finance approved the capitalization of approximately 40% of 2011 net income, or U.S.\$800 million (in addition to the authorization for CODELCO to retain the gain (less expenses) over the estimated book value of CODELCO’s investment from the proceeds obtained in its sale of its equity interest in E-CL S.A. (formerly Edelnor S.A.), which amounted to U.S.\$375 million, announced after the sale in 2011). Since 2007, the Government of Chile has authorized the capitalization and retention of almost U.S.\$3.2 billion within CODELCO. Although CODELCO currently expects the Ministries of Mining and Finance to approve retention in the range of 10% to 15% of its pre-tax profit in each year over the next five years, there can be no assurance that such profit retention will be approved in those years or in future years.

If CODELCO’s funding through capitalization and retention of profits, depreciation, amortization and deferred taxes were to prove insufficient to fund capital expenditures, and if the Ministries of Mining and Finance do not otherwise issue a joint decree permitting CODELCO to retain net income, 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.”

***CODELCO is subject to special taxes and distributions.***

Law 13.196 of Chile currently requires the payment of a 10% special export tax on revenues from the export of copper and related by-products produced by CODELCO. A bill is currently under discussion in the Chilean Congress that proposed the repeal of Law 13.196, and if the bill were to be approved, effective as of January 1 of the calendar year following such approval, CODELCO would no longer be subject to such special export tax, and consequently, its pre-tax income and after-tax profit could increase.

In addition, under Chilean law, CODELCO’s net earnings are subject to an additional 40% tax on the earnings of state-owned enterprises specified in Decree Law 2.398, Art. 2, above the usual corporate income tax, which is currently 17%, but which has been temporarily increased to 20% in 2011 and to 18.5% in 2012, in order to finance reconstruction from the February 2010 earthquake, returning to 17% in 2013. In April 2012, a new tax bill was submitted to the Chilean Congress by the President of the Republic that would permanently increase corporate income tax to 20%, in addition to other measures. As of the date of this offering memorandum, the bill is still pending in Chilean Congress.

CODELCO was subject to a 5% mining tax calculated on its operating income for the fiscal years 2010 and 2011. Effective for its 2012 fiscal year, CODELCO is subject to a mining tax on operating income at progressive rates of between 5% and 14%. The tax is imposed on operating income generated during the operating year and will be determined as provided in new articles 64 II and 64 III of the Chilean Income Tax Law. For 2011, CODELCO distributed a total of U.S.\$6.9 billion (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.” The effective rate of the mining tax was 5.7% for CODELCO in 2011 and it is estimated to be approximately 5.9% for 2012.

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

CODELCO is 100% owned by the Republic of Chile 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 given that such a 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 and economic activity 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 also could be adversely affected by legal or regulatory changes over which it 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 if high inflation is not accompanied by a matching devaluation of the local currency. There can be no assurance that Chilean inflation will not revert to prior levels in the future. In addition, the measures taken by the Chilean Central Bank to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and economic growth.

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, 2011 and in the first three months of 2012:

| <u>Year</u>                         | <u>Inflation (CPI)</u><br><u>(in percentages)</u> |
|-------------------------------------|---------------------------------------------------|
| 2007 .....                          | 7.8                                               |
| 2008 .....                          | 7.1                                               |
| 2009 .....                          | (1.4)                                             |
| 2010 .....                          | 3.0                                               |
| 2011 .....                          | 4.4                                               |
| 2012 (through March 31, 2012) ..... | 0.6                                               |

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 asset for the Company of U.S.\$659 million (3.09% of the total amount of assets on a consolidated basis) as of March 31, 2012. In order to

cover this risk, CODELCO has and currently is engaged in hedging transactions to partially mitigate the effects of the volatility of foreign exchange rates. See “Risk Factors—Risks Relating to CODELCO’s Operations—CODELCO engages in hedging activity, particularly with respect to its copper production, which may not be successful and may result in losses to CODELCO.”

***Chile has different corporate disclosure and accounting standards than holders 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 in some significant respects. Financial results from the first quarter of fiscal year ending December 31, 2010, onwards, were reported according to IFRS in compliance with *Officio Circular* 368, as amended, promulgated by the SVS. Financial results for the fiscal year ended December 31, 2009 have been reconstructed according to IFRS in order to compare to 2010 results. Thus, the Company’s financial statements are not directly comparable to those reported according to 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 Chilean 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 other property or assets permanently dedicated to the exploration or 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.”

***CODELCO is permitted to incur additional indebtedness ranking equally to the notes or certain secured indebtedness.***

The notes contain no restrictions on the amount of additional indebtedness which may be incurred by CODELCO or its subsidiaries; however, the notes contain restrictions on the ability of CODELCO and its subsidiaries to incur certain secured indebtedness as set forth in “Description of Notes—Limitations on Liens” below. As a result, CODELCO is permitted to issue additional unsecured debt that ranks on an equal and ratable basis with the notes. If CODELCO incurs any additional unsecured debt that ranks on an equal and ratable basis with the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with an insolvency, liquidation, reorganization, dissolution or other winding-up of CODELCO subject to satisfaction of certain debt limitations. This may have the effect of reducing the amount of proceeds paid to you under such an event.

***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%. Subject to certain exceptions, CODELCO will pay Additional Amounts (as defined in “Description of Notes—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 after the date of this offering memorandum affecting Chilean taxation, CODELCO becomes obligated to pay additional amounts with respect to interest on the notes in respect of withholding or deduction of Chilean tax at a rate in excess of 4%. 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.”

***Our obligations under the notes will be subordinated to certain statutory liabilities.***

Under Chilean bankruptcy law, the obligations under the notes are subordinated to certain statutory preferences. In the event of a liquidation, such statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses, will have preference over any other claims, including claims by any investor in respect of the notes.

***The market value of the notes may depend on economic conditions in other countries 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 emerging market 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 emerging market 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 will be 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 given 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.

***We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.***

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. CODELCO cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the

judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.



## **USE OF PROCEEDS**

The estimated total net proceeds from the offering of the notes is U.S.\$1,947,720,000, after deducting commissions to the initial purchasers, payment of a Chilean stamp tax of U.S.\$12,000,000, and payment of legal fees and all other expenses related to the offering. The net proceeds will be used to finance partially capital expenditures, cancel short-term indebtedness consisting of CODELCO's 3.96% UF notes due 2012 and 6.375% notes due 2012 in the aggregate principal amount of U.S.\$849,985,000, and for general corporate purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

## CAPITALIZATION

The following table sets forth the capitalization of CODELCO in accordance with IFRS at March 31, 2012 and as adjusted to give effect to the offering of the notes and the use of proceeds. This table is qualified in its entirety by reference to, and should be read together with, CODELCO's Consolidated Financial Statements, including the notes thereto, included elsewhere in this offering memorandum.

|                                                            | <b>As of March 31, 2012</b>     |                      |
|------------------------------------------------------------|---------------------------------|----------------------|
|                                                            | <b>Actual</b>                   | <b>As Adjusted</b>   |
|                                                            | <b>(in thousands of U.S.\$)</b> |                      |
| <b>Short-term debt</b>                                     |                                 |                      |
| Current portion of loans from financial institutions ..... | \$ 34,225                       | \$ 34,225            |
| Current portion of bonds <sup>(1)</sup> .....              | 849,985                         | —                    |
| Current portions of others .....                           | 29,174                          | 29,174               |
| Total short-term debt .....                                | <u>\$ 913,384</u>               | <u>\$ 63,399</u>     |
| <b>Long-term debt</b>                                      |                                 |                      |
| Bank debt .....                                            | \$ 1,196,486                    | \$ 1,196,486         |
| 5.500% Notes due 2013 .....                                | 499,478                         | 499,478              |
| 4.750% Notes due 2014 .....                                | 497,168                         | 497,168              |
| 7.500% Notes due 2019 .....                                | 591,033                         | 591,033              |
| 3.750% Notes due 2020 .....                                | 983,128                         | 983,128              |
| 3.875% Notes due 2021 .....                                | 1,132,662                       | 1,132,662            |
| 4.0% UF Notes due 2025 <sup>(2)</sup> .....                | 344,519                         | 344,519              |
| 5.625% Notes due 2035 .....                                | 490,170                         | 490,170              |
| 6.150% Notes due 2036 .....                                | 495,818                         | 495,818              |
| Long-term of others .....                                  | 189,746                         | 189,746              |
| Notes offered hereby <sup>(3)</sup> .....                  | —                               | 1,947,720            |
| Total long-term debt .....                                 | <u>\$ 6,420,208</u>             | <u>\$ 8,367,928</u>  |
| Non-controlling interest .....                             | \$ 2,326                        | \$ 2,326             |
| <b>Equity</b>                                              |                                 |                      |
| Issued capital .....                                       | \$ 2,524,423                    | \$ 2,524,423         |
| Other reserves .....                                       | 1,846,106                       | 1,846,106            |
| Retained Earnings:                                         |                                 |                      |
| Retained earnings .....                                    | 2,163,286                       | 2,163,286            |
| Profits distributions to the Chilean Treasury .....        | —                               | —                    |
| Net income for the period .....                            | 455,825                         | 455,825              |
| Equity attributable to equity holders of parent .....      | <u>\$ 6,989,640</u>             | <u>\$ 6,989,640</u>  |
| Total capitalization <sup>(4)</sup> .....                  | <u>\$ 14,325,558</u>            | <u>\$ 15,423,293</u> |

(1) The 3.96% UF notes due 2012 and the 6.375% notes due 2012 to be repaid with the proceeds of this offering are included in this item. The approximate U.S.\$ equivalent of UF 7.0 million aggregate principal amount of the 3.96% UF notes due 2012 has been translated at an exchange rate of U.S.\$1 = UF 0.0217 at March 31, 2012.

(2) The approximate U.S.\$ equivalent of UF 6.9 million aggregate principal amount of the 4.0% UF notes due 2025 has been translated at an exchange rate of U.S.\$1 = UF 0.0217 at March 31, 2012.

(3) Includes deferred financing costs, fees and other expenses.

(4) 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. Law 18.840, the *Ley Orgánica Constitucional del Banco Central de Chile* (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.

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 2007 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.

| <b>Observed Exchange Rates<br/>(Ch\$ per U.S.\$)</b> |                           |                          |                              |                                 |
|------------------------------------------------------|---------------------------|--------------------------|------------------------------|---------------------------------|
|                                                      | <b>High<sup>(1)</sup></b> | <b>Low<sup>(1)</sup></b> | <b>Average<sup>(2)</sup></b> | <b>Period-End<sup>(3)</sup></b> |
| 2007.....                                            | 548.67                    | 493.14                   | 522.47                       | 496.89                          |
| 2008.....                                            | 676.75                    | 431.22                   | 522.46                       | 636.45                          |
| 2009.....                                            | 643.87                    | 491.09                   | 559.61                       | 507.10                          |
| 2010.....                                            | 549.17                    | 468.01                   | 510.25                       | 468.01                          |
| 2011.....                                            | 533.74                    | 455.91                   | 483.67                       | 519.20                          |

(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.

(3) Period ends on January 1 of the following year.

Source: Central Bank of Chile.

The Observed Exchange Rate reported by the Central Bank of Chile for July 9, 2012 was Ch\$499.26 = U.S.\$1.00.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following tables present 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, included elsewhere in this offering memorandum, from which all such data (other than the average London Metal Exchange ("LME") copper prices) has been derived. The data should also be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Year-end Consolidated Financial Statements for 2009, 2010 and 2011, and the Unaudited Interim Consolidated Financial Information for the three month periods ended March 31, 2011 and 2012, and other financial information included in this offering memorandum are presented in accordance with IFRS. The unaudited interim information for the three-month periods ended March 31, 2011 and 2012 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 three months ended March 31, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012 or any other period.

|                                                                                              | For the year ended December 31, |              |               | For the three months ended March 31, |              |
|----------------------------------------------------------------------------------------------|---------------------------------|--------------|---------------|--------------------------------------|--------------|
|                                                                                              | 2009                            | 2010         | 2011          | 2011                                 | 2012         |
|                                                                                              | (in thousands of U.S.\$)        |              |               | (unaudited)                          |              |
| <b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>                                        |                                 |              |               |                                      |              |
| Revenues .....                                                                               | \$12,379,137                    | \$16,065,946 | \$ 17,515,296 | \$ 4,304,946                         | \$ 3,963,855 |
| Cost of sales <sup>(1)</sup> .....                                                           | (7,666,010)                     | (9,088,740)  | (10,283,026)  | (2,342,924)                          | (2,374,091)  |
| Gross profit .....                                                                           | 4,713,127                       | 6,977,206    | 7,232,270     | 1,962,022                            | 1,589,764    |
| Other income .....                                                                           | 308,363                         | 141,473      | 726,185       | 505,952                              | 25,568       |
| Distribution cost .....                                                                      | (19,157)                        | (14,994)     | (11,114)      | (3,262)                              | (3,533)      |
| Administrative expenses.....                                                                 | (323,836)                       | (390,234)    | (452,217)     | (96,403)                             | (112,103)    |
| Other expenses <sup>(2)</sup> .....                                                          | (1,458,441)                     | (2,058,867)  | (2,307,326)   | (437,737)                            | (352,329)    |
| Other gains .....                                                                            | 14,749                          | 28,040       | 38,709        | 10,241                               | 8,504        |
| Finance income .....                                                                         | 27,666                          | 35,559       | 44,701        | 9,548                                | 10,129       |
| Finance cost.....                                                                            | (318,757)                       | (331,132)    | (294,496)     | (75,682)                             | (69,594)     |
| Share of profit of associates and joint ventures accounted for using the equity method ..... | 310,651                         | 303,395      | 353,440       | 14,840                               | 116,129      |
| Exchange differences .....                                                                   | (266,531)                       | (202,524)    | 216,998       | 78,281                               | (72,971)     |
| Profit for the period before tax .....                                                       | 2,987,834                       | 4,487,922    | 5,547,150     | 1,967,800                            | 1,139,564    |
| Income tax expense <sup>(3)</sup> .....                                                      | (1,813,643)                     | (2,611,601)  | (3,491,798)   | (1,225,229)                          | (683,739)    |
| Profit for the period .....                                                                  | 1,174,191                       | 1,876,321    | 2,055,352     | 742,571                              | 455,825      |
| Profit attributable to owners of parent .....                                                | 1,176,226                       | 1,877,659    | 2,056,414     | 742,872                              | 456,024      |
| Profit (loss), attributable to non-controlling interests .....                               | (2,035)                         | (1,338)      | (1,062)       | (301)                                | (199)        |
| Profit for the period .....                                                                  | \$ 1,174,191                    | \$ 1,876,321 | \$ 2,055,352  | \$ 742,571                           | \$ 455,825   |

| STATEMENTS OF FINANCIAL<br>POSITION INFORMATION              | As of                    | As of        | As of        | As of        | As of        | As of        |
|--------------------------------------------------------------|--------------------------|--------------|--------------|--------------|--------------|--------------|
|                                                              | January 1,               | December 31, | December 31, | December 31, | March 31,    | March 31,    |
|                                                              | 2009                     | 2009         | 2010         | 2011         | 2011         | 2012         |
|                                                              | (in thousands of U.S.\$) |              |              |              |              |              |
|                                                              | (unaudited)              |              |              |              |              |              |
| Total current assets.....                                    | \$ 3,729,946             | \$ 4,995,564 | \$ 6,623,885 | \$ 5,906,920 | \$ 6,478,628 | \$ 6,030,334 |
| Total property, plant and equipment.....                     | 10,507,650               | 11,210,433   | 12,351,430   | 13,437,764   | 12,409,871   | 13,656,757   |
| Investments accounted for using the equity<br>method(4)..... | 1,084,470                | 1,100,156    | 588,365      | 945,055      | 707,871      | 1,012,049    |
| Non-current receivables .....                                | 149,234                  | 198,102      | 198,785      | 132,721      | 179,620      | 218,203      |
| All other assets .....                                       | 263,493                  | 749,625      | 516,576      | 412,484      | 501,642      | 380,701      |
| Total assets.....                                            | \$15,734,793             | \$18,253,880 | \$20,279,041 | \$20,834,944 | \$20,277,632 | \$21,298,044 |
| Total current liabilities .....                              | 3,022,841                | 4,096,615    | 5,243,827    | 4,416,082    | 5,330,870    | 4,305,723    |
| Total non-current liabilities .....                          | 8,147,686                | 9,714,038    | 10,504,002   | 10,353,832   | 10,102,792   | 10,456,180   |
| Total liabilities .....                                      | \$11,170,527             | \$13,810,653 | \$15,747,829 | \$14,769,914 | \$15,433,662 | \$14,761,903 |
| Non-controlling interests.....                               | 2,951                    | 2,007        | 1,994        | 2,020        | 2,800        | 2,326        |
| Equity attributable to owners of parent.....                 | 4,561,315                | 4,441,220    | 4,529,218    | 6,063,010    | 4,841,170    | 6,533,815    |
| Total equity .....                                           | \$ 4,564,266             | \$ 4,443,227 | \$ 4,531,212 | \$ 6,065,030 | \$ 4,843,970 | \$ 6,536,141 |
| Total liabilities and equity .....                           | \$15,734,793             | \$18,253,880 | \$20,279,041 | \$20,834,944 | \$20,277,632 | \$21,298,044 |

| OTHER ITEMS                                                         | For the year ended December 31,                           |              |              | For the three months ended<br>March 31, |              |
|---------------------------------------------------------------------|-----------------------------------------------------------|--------------|--------------|-----------------------------------------|--------------|
|                                                                     | 2009                                                      | 2010         | 2011         | 2011                                    | 2012         |
|                                                                     | (in thousands of U.S.\$, except ratios and copper prices) |              |              |                                         |              |
|                                                                     | (unaudited)                                               |              |              |                                         |              |
| Depreciation and amortization of assets .....                       | \$ 1,082,086                                              | \$ 1,304,600 | \$ 1,485,357 | \$ 359,178                              | \$ 392,802   |
| Interest income (expense), net .....                                | \$ (291,091)                                              | \$ (295,573) | \$ (249,795) | \$ (66,134)                             | \$ (59,465)  |
| Ratio of earnings to fixed charges <sup>(5)</sup> .....             | 10.4                                                      | 14.6         | 19.8         | 27.0                                    | 17.4         |
| Average LME copper price (U.S. ¢ per<br>pound) <sup>(6)</sup> ..... | 234.22                                                    | 341.98       | 399.66       | 437.52                                  | 376.94       |
| Adjusted EBITDA <sup>(7)</sup> .....                                | \$ 5,368,583                                              | \$ 7,434,387 | \$ 8,812,554 | \$ 2,771,076                            | \$ 1,907,019 |
| Ratio of debt to Adjusted EBITDA .....                              | 0.9                                                       | 0.9          | 0.8          | —                                       | —            |
| Adjusted EBITDA coverage ratio <sup>(8)</sup> .....                 | 18.4                                                      | 25.2         | 35.3         | 41.9                                    | 32.1         |

- (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) Other expenses is comprised principally of costs related to retirement plan and severance indemnities, costs of environmental exit, restoration and similar liabilities and the 10% special 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) CODELCO was subject to a 5% mining tax calculated on its operating income for the fiscal years 2010 and 2011. Effective for its 2012 fiscal year, CODELCO is subject to a mining tax on operating income at progressive rates of between 5% and 14%. The tax is imposed on operating income generated during the operating year. The effective rate of the mining tax was 5.7% for CODELCO in 2011. 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.” See also “Risk Factors—Risks Relating to CODELCO’s Relationship with the Chilean Government—CODELCO is subject to special taxes and distributions” for information related to the mining tax rate effective in 2012. In addition, CODELCO is subject to a special corporate income tax rate of 20% for 2011 and 18.5% for 2012 (17% regular corporate tax rate) and a 40% tax on net earnings applicable to state-owned enterprises as 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) See Note 9 to the Unaudited Interim Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- (5) For the purpose of calculating CODELCO’s ratio of earnings to fixed charges, (i) earnings consist of profit (loss) and finance cost and (ii) fixed charges consist of finance cost.
- (6) Average price on the LME for Grade A cathode copper during period.
- (7) Adjusted EBITDA is calculated by adding finance cost, taxes (including income and export taxes), depreciation and amortization to net income, in each case determined in accordance with IFRS. Adjusted EBITDA is presented because it is a widely accepted indicator of funds available to service debt, although it is not an IFRS-based measure of liquidity or performance. The Company believes that Adjusted 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 Adjusted EBITDA may be different than the calculation used by other companies and therefore, comparability may be affected.
- (8) Adjusted EBITDA coverage ratio is the ratio of Adjusted EBITDA to finance cost net of finance income.

The following table shows CODELCO's Adjusted EBITDA and reconciles its Adjusted EBITDA with profit under IFRS for the periods indicated.

|                                               | For the year ended December 31, |                     |                     | For the three months ended March 31, |                    |
|-----------------------------------------------|---------------------------------|---------------------|---------------------|--------------------------------------|--------------------|
|                                               | 2009                            | 2010                | 2011                | 2011                                 | 2012               |
|                                               | (in thousands of U.S.\$)        |                     |                     | (unaudited)                          |                    |
| Profit for the period .....                   | \$ 1,174,191                    | \$ 1,876,321        | \$ 2,055,352        | \$ 742,571                           | \$ 455,825         |
| Income tax expense .....                      | 1,813,643                       | 2,611,601           | 3,491,798           | 1,225,229                            | 683,739            |
| Depreciation and amortization of assets ..... | 1,082,086                       | 1,304,600           | 1,485,357           | 359,178                              | 392,802            |
| Export taxes .....                            | 979,906                         | 1,310,733           | 1,485,551           | 368,416                              | 305,059            |
| Finance cost .....                            | 318,757                         | 331,132             | 294,496             | 75,682                               | 69,594             |
| Adjusted EBITDA .....                         | <u>\$ 5,368,583</u>             | <u>\$ 7,434,387</u> | <u>\$ 8,812,554</u> | <u>\$2,771,076</u>                   | <u>\$1,907,019</u> |

The following table shows CODELCO's earnings, ratio of earnings to fixed charges and reconciliation of earnings to profit under IFRS for the periods indicated.

|                                                         | For the year ended December 31,         |                     |                     | For the three months ended March 31, |                     |
|---------------------------------------------------------|-----------------------------------------|---------------------|---------------------|--------------------------------------|---------------------|
|                                                         | 2009                                    | 2010                | 2011                | 2011                                 | 2012                |
|                                                         | (in thousands of U.S.\$, except ratios) |                     |                     | (unaudited)                          |                     |
| Profit for the period .....                             | \$ 1,174,191                            | \$ 1,876,321        | \$ 2,055,352        | \$ 742,571                           | \$ 455,825          |
| Income tax expense .....                                | 1,813,643                               | 2,611,601           | 3,491,798           | 1,225,229                            | 683,739             |
| Finance cost .....                                      | 318,757                                 | 331,132             | 294,496             | 75,682                               | 69,594              |
| EBIT .....                                              | <u>\$ 3,306,591</u>                     | <u>\$ 4,819,054</u> | <u>\$ 5,841,646</u> | <u>\$ 2,043,482</u>                  | <u>\$ 1,209,158</u> |
| Ratio of earnings to fixed charges <sup>(1)</sup> ..... | 10.4                                    | 14.6                | 19.8                | 27.0                                 | 17.4                |

(1) Fixed charges consist of finance cost. The ratio of earnings to fixed charges is calculated by dividing earnings by finance cost.

The following table shows CODELCO's ratio of debt to Adjusted EBITDA and Adjusted EBITDA coverage ratio under IFRS for the periods indicated.

|                                                     | For the year ended December 31,         |             |             | For the three months ended March 31, |             |
|-----------------------------------------------------|-----------------------------------------|-------------|-------------|--------------------------------------|-------------|
|                                                     | 2009                                    | 2010        | 2011        | 2011                                 | 2012        |
|                                                     | (in thousands of U.S.\$, except ratios) |             |             | (unaudited)                          |             |
| Debt .....                                          | \$4,667,954                             | \$6,346,437 | \$7,049,274 | \$6,457,757                          | \$7,114,672 |
| Ratio of debt to Adjusted EBITDA .....              | 0.9                                     | 0.9         | 0.8         | —                                    | —           |
| Finance income .....                                | 27,666                                  | 35,559      | 44,701      | 9,548                                | 10,129      |
| Adjusted EBITDA coverage ratio <sup>(1)</sup> ..... | 18.4                                    | 25.2        | 35.3        | 41.9                                 | 32.1        |

(1) Adjusted EBITDA coverage ratio is the ratio of Adjusted EBITDA to finance cost net of finance income.

## 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, 2009, 2010, and 2011 and for the three months ended March 31, 2011 and 2012. For more information regarding such data, see “Business Properties.”

|                                                         | Year ended December 31, |           |           | Three months ended March 31, |         |
|---------------------------------------------------------|-------------------------|-----------|-----------|------------------------------|---------|
|                                                         | 2009                    | 2010      | 2011      | 2011                         | 2012    |
|                                                         | (unaudited)             |           |           |                              |         |
| COPPER MINING OPERATIONS                                |                         |           |           |                              |         |
| Ore Mined (in thousands of dry metric tons):            |                         |           |           |                              |         |
| CODELCO Norte Division <sup>(1)</sup> .....             | 128,377                 | 123,724   | —         | —                            | —       |
| Chuquicamata Division.....                              | —                       | —         | 67,531    | 18,457                       | 17,667  |
| Radomiro Tomic Division .....                           | —                       | —         | 71,925    | 19,002                       | 17,526  |
| El Teniente Division .....                              | 48,577                  | 47,049    | 46,963    | 11,985                       | 11,801  |
| Andina Division .....                                   | 23,168                  | 23,773    | 30,547    | 7,492                        | 7,884   |
| Salvador Division .....                                 | 16,476                  | 16,704    | 15,613    | 3,513                        | 3,898   |
| Gabriela Mistral.....                                   | 23,806                  | 18,987    | 29,121    | 4,278                        | 9,094   |
| Total .....                                             | 240,404                 | 230,237   | 261,700   | 64,726                       | 67,870  |
| Average Copper Ore Grade:                               |                         |           |           |                              |         |
| CODELCO Norte Division <sup>(1)</sup> .....             | 0.79%                   | 0.82%     | —         | —                            | —       |
| Chuquicamata Division.....                              | —                       | —         | 0.97%     | 0.91%                        | 0.76%   |
| Radomiro Tomic Division .....                           | —                       | —         | 0.77      | 0.74                         | 0.73    |
| El Teniente Division .....                              | 0.95                    | 0.97      | 0.95      | 0.96                         | 0.92    |
| Andina Division.....                                    | 1.04                    | 0.92      | 0.88      | 0.87                         | 0.88    |
| Salvador Division .....                                 | 0.55                    | 0.61      | 0.59      | 0.65                         | 0.51    |
| Gabriela Mistral.....                                   | 0.77                    | 0.86      | 0.59      | 0.68                         | 0.60    |
| Weighted Average .....                                  | 0.83%                   | 0.85%     | 0.83%     | 0.82%                        | 0.76%   |
| PLANT COPPER PRODUCTION                                 |                         |           |           |                              |         |
| (by division in metric tons):                           |                         |           |           |                              |         |
| CODELCO Norte Division <sup>(1)</sup> .....             | 874,748                 | 903,720   | —         | —                            | —       |
| Chuquicamata Division.....                              | —                       | —         | 443,381   | 100,311                      | 60,046  |
| Radomiro Tomic Division .....                           | —                       | —         | 470,096   | 121,855                      | 106,432 |
| El Teniente Division .....                              | 404,035                 | 403,616   | 400,294   | 97,330                       | 96,463  |
| Andina Division.....                                    | 209,727                 | 188,493   | 234,348   | 55,895                       | 62,057  |
| Salvador Division .....                                 | 65,462                  | 76,184    | 69,044    | 17,891                       | 12,932  |
| Gabriela Mistral .....                                  | 148,026                 | 117,052   | 118,078   | 20,914                       | 34,607  |
| Total .....                                             | 1,701,998               | 1,689,065 | 1,735,241 | 414,196                      | 372,537 |
| PLANT COPPER PRODUCTION                                 |                         |           |           |                              |         |
| (contained copper in metric tons):                      |                         |           |           |                              |         |
| ER Cathodes .....                                       | 423,902                 | 431,799   | 234,989   | 51,313                       | 16,881  |
| SX-EW Cathodes.....                                     | 615,982                 | 601,433   | 617,124   | 143,519                      | 152,226 |
| Fire-refined .....                                      | 87,778                  | 100,482   | 68,968    | 20,690                       | —       |
| Anodes – Blister .....                                  | 305,302                 | 293,841   | 274,694   | 76,044                       | 89,953  |
| Concentrates .....                                      | 269,034                 | 261,510   | 538,466   | 122,630                      | 113,477 |
| Total .....                                             | 1,701,998               | 1,689,065 | 1,735,241 | 414,196                      | 372,537 |
| MOLYBDENUM PRODUCTION                                   |                         |           |           |                              |         |
| (contained molybdenum in metric tons) .....             | 21,556                  | 21,677    | 23,098    | 6,280                        | 3,830   |
| COPPER SALES                                            |                         |           |           |                              |         |
| (in metric tons; includes sales of third-party copper): |                         |           |           |                              |         |
| Cathodes .....                                          | 1,618,541               | 1,598,707 | 1,573,815 | 355,964                      | 322,821 |
| Fire-refined.....                                       | 88,421                  | 99,665    | 74,830    | 21,228                       | 99      |
| Anodes – Blister .....                                  | 126,559                 | 120,521   | 63,881    | 15,338                       | 16,883  |
| Concentrates .....                                      | 183,847                 | 162,961   | 215,390   | 40,379                       | 71,069  |
| Total .....                                             | 2,017,368               | 1,981,854 | 1,927,916 | 432,909                      | 410,872 |
| COPPER EXPORTS                                          |                         |           |           |                              |         |
| (in metric tons; includes sales of third-party copper): |                         |           |           |                              |         |
| Cathodes .....                                          | 1,547,307               | 1,505,677 | 1,493,940 | 337,645                      | 302,438 |
| Fire-refined.....                                       | 83,405                  | 95,778    | 73,997    | 21,104                       | 99      |
| Blister .....                                           | 114,443                 | 116,003   | 63,874    | 15,338                       | 16,883  |
| Concentrates .....                                      | 138,235                 | 131,793   | 196,167   | 37,725                       | 65,436  |
| Total .....                                             | 1,883,390               | 1,849,251 | 1,827,978 | 411,812                      | 384,855 |
| INVENTORIES OF COPPER AT PERIOD-END                     |                         |           |           |                              |         |
| (in metric tons).....                                   | 75,109                  | 76,811    | 77,433    | 84,297                       | 88,529  |

(1) In December 2010, CODELCO divided the CODELCO Norte Division into the Chuquicamata and Radomiro Tomic Divisions. 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 the notes thereto included elsewhere in this offering memorandum, as well as the data set forth in "Selected Consolidated Financial Data."*

### **Adoption of IFRS**

Pursuant to *Oficio Circular 368*, as amended, promulgated by the SVS, beginning January 1, 2010, Chilean companies were required to report consolidated financial statements in accordance with IFRS. As of January 1, 2010, CODELCO is no longer preparing financial statements in accordance with Chilean GAAP. IFRS differs in certain significant respects from Chilean GAAP, and as a result of the Company's adoption of IFRS, there were significant changes in the presentation of CODELCO's financial statements and of its equity. The adoption of IFRS represents a change in the accounting framework only and does not affect the Company's operations or cash flows. CODELCO's first results reported under IFRS are the unaudited interim financial statements as of and for the three-month period ended March 31, 2010.

In connection with the filing of CODELCO's audited IFRS financial statements as of and for the year ended December 31, 2010, CODELCO was required to present for purposes of comparison the audited IFRS financial statements as of and for the year ended December 31, 2009, as required by IAS 1 Presentation of Financial Statements.

The Consolidated Financial Statements and other financial information included in this offering memorandum, unless otherwise indicated are presented in accordance with IFRS.

### **Overview**

CODELCO is the world's largest copper producer and the largest company 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 2011, CODELCO derived 90% of its total sales from copper and 10% of its total sales from by-products of its copper production, primarily molybdenum, anodic slimes and sulfuric acid.

Since its inception in 1976, CODELCO contributed approximately U.S.\$94 billion (in 2011 currency) to the Chilean Treasury. Due to higher copper prices, 57% of this amount was generated in the last 8 years, representing 15% of Government revenues. In 2011, CODELCO accounted for 21% of all Chilean exports.

CODELCO's financial performance is significantly affected by the market prices of copper. As with prices for other commodities, copper prices have historically been subject to wide fluctuations. LME copper prices averaged 399.66 cents per pound in 2011, compared to 341.98 cents per pound in 2010 and 234.22 cents per pound in 2009. On March 30, 2012, the closing price for refined copper on the LME was 384.65 cents per pound. In the second quarter of 2012, copper prices averaged 356.94 cents per pound. See "Overview of the Copper Market."

CODELCO continues to focus on controlling and limiting production cost increases. For many years, CODELCO has been one of the world's lowest cost producers of copper and has been within the first and second quartile in industry costs. This position is principally attributable to the quality of its ore bodies, its economies of scale, and the experience of its workforce and management. The Company intends to make every effort, through investment and management, to stay within the first quartile of the industry's cost curve in the long term. In 2011, CODELCO's total costs and expenses were 205.6 cents per pound, compared to 197.6 cents per pound in 2010 and 157.8 cents per pound in 2009. The increase in 2011 as compared to 2010 was mainly driven by the increase in prices of most significant inputs and consumables used in the production process, the appreciation of the Chilean peso against the U.S. dollar and higher third-party and other services expenses. The increase in 2010 as compared to 2009 was mainly driven by the costs of early retirement plans, workforce reduction programs and the terms of various new collective bargaining agreements entered into during 2010. For the first three months of 2012,



CODELCO's total costs and expenses were 219.2 cents per pound, compared to 173.1 cents per pound in the same period in 2011. This increase is primarily attributable to lower ore grade, a significant increase in prices of most significant inputs and consumables used in the production process and the appreciation of the Chilean peso in the first quarter of 2012 against the U.S. dollar.

In 2011, CODELCO'S total cash cost was U.S.\$4,408 million. For the first three months of 2012, CODELCO's total cash cost was U.S.\$1,058 million, as compared to U.S.\$889 million for the first three months of 2011. Because a significant portion of CODELCO's costs are denominated in Chilean pesos, depreciation of the Chilean peso against the U.S. dollar reduces CODELCO's cash costs in U.S. dollar terms and appreciation increases these costs. See "Exchange Rates." In 2010, CODELCO's cash cost increased primarily due to the appreciation of the Chilean peso against the U.S. dollar and inflation, partially offset by an increase in the price of molybdenum. For 2011, CODELCO's cash cost of production was 116.4 cents per pound, compared to 104.4 cents per pound in 2010, primarily due to the increase in prices of most significant inputs and consumables used in the production process and the appreciation of the Chilean peso against the U.S. dollar, which was partially offset by better by-product credit. For the first three months of 2012, CODELCO's cash cost was 130.2 cents per pound, compared to 98.2 cents per pound in the same period in 2011. This increase is primarily attributable to lower ore grade, significant increases in the prices of most significant inputs and consumables used in the production process, the appreciation of the Chilean peso against the U.S. dollar in the first quarter of 2012 and lower by-product credit.

CODELCO conducts hedging operations from time to time to reduce the risk associated with copper price volatility. CODELCO also 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. In July 2005, the Board of Directors determined to hedge certain future copper delivery commitments and production in order to manage the risk associated with copper price volatility. As of March 31, 2012, these hedges had a range of maturities through January 2013, covered approximately 112,500 metric tons of copper (not to exceed approximately 7.6% of anticipated annual production in any of the years covered), and had an outstanding negative exposure (mark-to-market value less than their carrying values) before taxes of U.S.\$636 million. In the first three months of 2012, CODELCO's production hedging activities had a negative impact of U.S.\$203 million on pre-tax income, with the effect of the hedges being reflected in CODELCO's sales at the time they are settled. See Note 24 to the 2011 Year-end Consolidated Financial Statements and Unaudited Interim Financial Statements.

In addition to its production hedging activities, CODELCO has hedged a portion of its exchange rate and interest rate exposure, including by entering into forward exchange contracts to hedge against fluctuations in the UF to U.S. dollar exchange rate for its outstanding UF-denominated bonds. See "Business and Properties—Marketing—Pricing and Hedging" and "Risk Factors—Risks Relating to CODELCO's Operations—CODELCO engages in hedging activity from time to time, particularly with respect to its copper production, which may not be successful and may result in losses to CODELCO." See also Note 28 to the 2011 Year-end Consolidated Financial Statements and to the Unaudited Interim Consolidated Financial Statements for further information on CODELCO's hedging activity.

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 customers 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.

CODELCO's financial performance is also significantly affected by the relationship of copper prices to production costs. In 2011, CODELCO's annual production increased to 1.80 million metric tons including El Abra (as compared to 1.76 million metric tons in 2010 and 1.78 million metric tons in 2009), mainly due to increased production from the Radomiro Tomic and the Andina Divisions resulting from a greater amount of ore mined in both divisions and higher ore grade at Radomiro Tomic. The small decrease in 2010 as compared to 2009 was primarily due to the production reduction in the Gabriela Mistral mine and the Andina Division, partially offset by an increase in production in the CODELCO Norte Division and the Salvador Division. In 2011, each one-cent

change in CODELCO's average annual copper price per pound caused a variation in operating profit of approximately U.S.\$40 million. CODELCO expects production to remain relatively flat in the near future. By overcoming certain non-permanent disruptions, such as inclement weather and other natural events and strikes, and producing more copper through the Andina Phase I Expansion Project, the Radomiro Tomic Sulfides project and the new Mina Ministro Hales ore body, CODELCO believes that it will be able to compensate for diminished production resulting from lower average ore grades, which themselves are expected to stabilize over time.

CODELCO continues to develop and refine its mine management practices and programs to limit and reduce its cost increases. These include the following: (i) improved deposit identification and mining techniques; (ii) the implementation of early retirement plans and workforce reduction programs; (iii) an investment in human capital and continuing to attract and retain a world-class management team and professionals of the highest caliber; (iv) improved utilization of equipment and inputs used in the processes of copper production to increase productivity and efficiency; and (v) the development of key projects, including the Mina Ministro Hales ore body, the Radomiro Tomic Sulfides phase II, the new mine level at El Teniente, Chuquicamata underground and Andina Phase II Expansion Project. 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.

In 2011, CODELCO invested U.S.\$2.625 billion, mainly in Mina Ministro Hales, the Andina Phase II Expansion Project feasibility studies, and the new mine level at El Teniente. See "Business and Properties."

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 to meet requirements under sales contracts and, to a lesser extent, to participate in the spot market for copper based on its evaluation of market conditions. Other than pursuant to the joint venture with Minmetals, 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.

The following tables set forth, for the periods indicated, the components of CODELCO's consolidated statements of operations expressed as a percentage of revenues under IFRS. These tables are qualified in their entirety by reference to, and should be read together with, CODELCO's Consolidated Financial Statements, including the notes thereto, included elsewhere in this offering memorandum:

|                                        | Year ended December 31, |        |        | Three months ended March 31, |        |
|----------------------------------------|-------------------------|--------|--------|------------------------------|--------|
|                                        | 2009                    | 2010   | 2011   | 2011                         | 2012   |
|                                        |                         |        |        | (unaudited)                  |        |
| Revenue.....                           | 100.0%                  | 100.0% | 100.0% | 100.0%                       | 100.0% |
| Cost of sales .....                    | (61.9)                  | (56.6) | (58.7) | (54.4)                       | (59.9) |
| Gross profit .....                     | 38.1                    | 43.4   | 41.3   | 45.6                         | 40.1   |
| Other income.....                      | 2.5                     | 0.9    | 4.1    | 11.8                         | 0.6    |
| Administrative expenses.....           | (2.6)                   | (2.4)  | (2.6)  | (2.2)                        | (2.8)  |
| Other expenses .....                   | (11.8)                  | (12.8) | (13.2) | (10.2)                       | (8.9)  |
| Finance cost.....                      | (2.6)                   | (2.1)  | (1.7)  | (1.8)                        | (1.8)  |
| Profit for the period before tax ..... | 24.1                    | 27.9   | 31.7   | 45.7                         | 28.7   |
| Income tax expense .....               | (14.7)                  | (16.3) | (19.9) | (28.5)                       | (17.2) |
| Profit for the period .....            | 9.5%                    | 11.7%  | 11.7%  | 17.2%                        | 11.5%  |

The following tables set forth, for the periods indicated, certain price, volume and cost data:

|                                                        | Year ended December 31, |           |           | Three months ended March 31, |          |
|--------------------------------------------------------|-------------------------|-----------|-----------|------------------------------|----------|
|                                                        | 2009                    | 2010      | 2011      | 2011                         | 2012     |
|                                                        | (unaudited)             |           |           |                              |          |
| CODELCO Average Metal Price (per pound) <sup>(1)</sup> |                         |           |           |                              |          |
| Copper.....                                            | \$ 2.41                 | \$ 3.22   | \$ 3.81   | \$ 4.15                      | \$ 3.90  |
| Molybdenum .....                                       | \$ 10.88                | \$ 15.29  | \$ 15.45  | \$ 17.02                     | \$ 13.99 |
| CODELCO Sales Volume (in metric tons)                  |                         |           |           |                              |          |
| Own copper <sup>(2)</sup> .....                        | 1,936,785               | 1,898,308 | 1,855,304 | 427,937                      | 391,951  |
| Third-party copper.....                                | 156,169                 | 161,552   | 145,079   | 27,260                       | 49,935   |
| Total copper .....                                     | 2,092,954               | 2,059,860 | 2,000,383 | 455,197                      | 441,885  |
| Molybdenum (in oxide and concentrate) .....            | 21,347                  | 21,358    | 22,843    | 4,718                        | 5,155    |
| CODELCO's Cash Cost of Production (per pound) .....    | 92.9¢                   | 104.4¢    | 116.4¢    | 98.2¢                        | 130.2¢   |

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

(2) Includes wire rod sales and cathodes from CODELCO subsidiaries.

### Results of Operations for the Three-Month Periods ended March 31, 2011 and 2012

The following table sets forth CODELCO's summarized results of operations for the three months ended March 31, 2011 and 2012:

|                                                                                                 | Three months ended March 31,        |          | % Change<br>2011/2012 |
|-------------------------------------------------------------------------------------------------|-------------------------------------|----------|-----------------------|
|                                                                                                 | 2011                                | 2012     |                       |
|                                                                                                 | (in millions of U.S.\$) (unaudited) |          |                       |
| Revenues .....                                                                                  | \$ 4,305                            | \$ 3,964 | (7.9)%                |
| Cost of sales .....                                                                             | (2,343)                             | (2,374)  | 1.3                   |
| Gross profit .....                                                                              | 1,962                               | 1,590    | (19.0)                |
| Other income .....                                                                              | 506                                 | 26       | (94.9)                |
| Administrative expenses .....                                                                   | (96)                                | (112)    | 16.7                  |
| Other expenses .....                                                                            | (438)                               | (352)    | (19.6)                |
| Finance cost .....                                                                              | (76)                                | (70)     | (7.9)                 |
| Share of profit of associates and joint ventures accounted for using<br>the equity method ..... | 15                                  | 116      | 673.3                 |
| Exchange differences .....                                                                      | 78                                  | (73)     | (193.6)               |
| Profit for the period before tax .....                                                          | 1,968                               | 1,140    | (42.1)                |
| Income tax expense .....                                                                        | (1,225)                             | (684)    | (44.2)                |
| Profit for the period .....                                                                     | 743                                 | 456      | (38.6)                |
| Profit (loss), attributable to owners of parent .....                                           | 743                                 | 456      | (38.6)                |
| Profit (loss), attributable to non-controlling interests .....                                  | —                                   | —        | —                     |

**Revenues.** The following table sets forth CODELCO's revenues for the three months ended March 31, 2011 and 2012:

|                                      | Three months ended March 31,        |          | % Change<br>2011/2012 |
|--------------------------------------|-------------------------------------|----------|-----------------------|
|                                      | 2011                                | 2012     |                       |
|                                      | (in millions of U.S.\$) (unaudited) |          |                       |
| Revenues .....                       | \$ 4,305                            | \$ 3,964 | (7.9)%                |
| Sales of CODELCO's own copper .....  | 3,580                               | 3,164    | (11.6)                |
| Sales of third-party copper .....    | 294                                 | 429      | 45.9                  |
| Sales of by-products and other ..... | 431                                 | 371      | (13.9)                |

Revenues decreased by 7.9% to U.S.\$3.96 billion in the first three months of 2012, compared to U.S.\$4.30 billion for the same period in 2011. This decrease was principally due to a decrease of U.S.\$416 million in the sales of CODELCO's own copper during the first three months of 2012, resulting from a decrease in CODELCO's average copper prices from U.S.\$4.15 per pound to U.S.\$3.90 per pound and the decrease of total tonnage of copper sold of 2.9% mainly due to the decrease of own copper sold. The decrease in CODELCO's own copper sold is related to lower production in the first quarter of 2012 of CODELCO's own copper, due to the expected decline of deposit ore grades, especially in the Chuquicamata Division. CODELCO uses information on future copper prices

to determine amounts due under its provisional invoices to purchasers. A decline in copper prices in April and May 2012 will result in a downward adjustment in CODELCO's revenues and trade receivables for March 2012. See "—Critical Accounting Policies—Accruals for Open Invoices."

Third-party copper sales totaled U.S.\$429 million in the first three months of 2012, compared to U.S.\$294 million for the same period in 2011, primarily due to lower production in the first quarter of 2012 of CODELCO'S own copper. In general, changes in the volume of third-party copper sold are dependent upon CODELCO'S need to meet requirements under sales contracts and, to a lesser extent, to participate in the spot market for copper based on its evaluation of market conditions.

Sales of by-products and other decreased by 13.9% to U.S.\$371 million in the first three months of 2012, compared to U.S.\$431 million for the same period in 2011. This decrease was primarily due to a decrease in molybdenum prices and a decrease in the volumes of anodic slimes sold.

*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 copper, as well as gold, silver and other by-products at market prices from third parties and processed and sold by CODELCO in that period. The following table sets forth CODELCO's total cost of sales for the three months ended March 31, 2011 and 2012:

|                                    | Three months ended<br>March 31,     |          | % Change<br>2011/2012 |
|------------------------------------|-------------------------------------|----------|-----------------------|
|                                    | 2011                                | 2012     |                       |
|                                    | (in millions of U.S.\$) (unaudited) |          |                       |
| Cost of sales.....                 | \$ 2,343                            | \$ 2,374 | 1.3%                  |
| Cost of CODELCO's own copper ..... | 1,836                               | 1,769    | (3.6)                 |
| Cost of third-party sales .....    | 298                                 | 431      | 44.6                  |
| Cost of by-products and other..... | 208                                 | 174      | (16.3)                |

CODELCO's total cost of sales increased by 1.3% to U.S.\$2.37 billion (59.9% of sales) in the first three months of 2012, compared to U.S.\$2.34 billion (54.4% of sales) for the same period in 2011 due to higher costs of inputs in the production process, an increase in third-party services expenses and higher copper volume purchased from third parties, which was partially offset by a decrease in CODELCO's own production. Some of the minerals that CODELCO sells are purchased at market prices, and CODELCO also purchases mineral ore from third parties at market prices that it processes and sells as copper.

CODELCO's cost of sales of its own copper decreased by 3.6% to U.S.\$1.77 billion in the first three months of 2012, compared to U.S.\$1.84 billion for the same period in 2011. This decrease was primarily due to lower production due to the expected decline of deposit ore grades, especially at the Chuquicamata Division, which was partially offset by higher costs of inputs used in the production process, including electricity, oil and spare parts, higher third-party services expenses and increasing complexities in mining activity, including harder ore, aging mines and longer distances to transport ore.

The cost of copper purchased from third parties increased by 44.6% in the first three months of 2012 to U.S.\$431 million, compared to U.S.\$298 million for the same period in 2011, primarily as a result of the increase in the volume of copper purchased.

The cost of by-products and other decreased by 16.3% to U.S.\$174 million in the first three months of 2012, compared to U.S.\$208 million in the first three months of 2011, mainly due to lower molybdenum prices and lower sales volumes of anodic slimes and sulfuric acid.

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 compared to the total reserves of the mine. Depreciation and amortization expenses increased by 9.4% to U.S.\$393 million for the first three months of 2012, compared to

U.S.\$359 million for the same period in 2011. This increase was due to higher levels of overall investment that resulted in depreciable assets.

*Gross profit.* Gross profit amounted to U.S.\$1.59 billion for the first three months of 2012, compared to U.S.\$1.96 billion for the same period in 2011. The decrease was due to the decrease in the average price received for CODELCO's product mix, a decrease in the copper volume sold and an increase in costs.

*Other income.* The largest components of other income are sales of services to third parties, fines received from suppliers for not complying with contract terms, income derived from CODELCO's share in El Abra, insurance payments and sale of assets. Other income decreased to U.S.\$25.6 million in the first three months of 2012, compared to U.S.\$506.0 million for the same period in 2011. This decrease was mainly due to the sale of 100% of CODELCO's equity stake in E-CL S.A. (formerly Edelnor S.A.) to the public for U.S.\$1.051 billion in January 2011 and the sale of 66% of CODELCO's stake in Inca de Oro S.A. in February 2011. The estimated book value of CODELCO's investment in E-CL S.A. was U.S.\$672 million, and the Government of Chile permitted CODELCO to retain the gain (less expenses), which amounted to U.S.\$375 million. Without the sale of its stake in E-CL S.A., CODELCO's other income for the first three months of 2011 would have been U.S.\$131.0 million.

*Administrative expenses.* Administrative expenses were U.S.\$112.1 million (2.8% of total sales) for the first three months of 2012, compared to U.S.\$96.4 million (2.2% of total sales) for the same period in 2011. This increase was principally due to higher expenses related to the creation of the Radomiro Tomic Division, increase in safety and occupational health expenses and other expenses.

*Other expenses.* Other expenses amounted to U.S.\$352.3 million (8.9% of total sales) for the first three months of 2012, compared to U.S.\$437.7 million (10.2% of total sales) for the same period in 2011. This decrease was primarily due to a decrease in the export tax paid by the Company pursuant to Law 13.196 and the residual effects of the early retirement plans implemented at the end of 2010.

The following table sets forth the principal components of CODELCO's other expenses for the periods indicated:

|                                  | <b>Three months ended March 31,</b> |               |
|----------------------------------|-------------------------------------|---------------|
|                                  | <b>2011</b>                         | <b>2012</b>   |
|                                  | <b>(in millions of U.S.\$)</b>      |               |
|                                  | <b>(unaudited)</b>                  |               |
| Law 13.196 export tax .....      | \$ 368                              | \$ 305        |
| Employee benefits expenses ..... | 33                                  | 19            |
| Other expenses.....              | 36                                  | 29            |
| Total .....                      | <u>\$ 438</u>                       | <u>\$ 352</u> |

CODELCO recorded other expenses of U.S.\$368 million and U.S.\$305 million in the first three months of 2011 and 2012, respectively, pursuant to Law 13.196, which levies a 10% tax on CODELCO's exports of its own copper and related by-products. Under IFRS, this export tax is accounted for in the other expenses line. The decrease of this tax recorded in the first three months of 2012 compared to the same period in 2011, is mainly due to a corresponding decrease in export sales of CODELCO's own copper and a lower price of copper sold.

*Finance cost.* Finance cost decreased to U.S.\$69.6 million in the first three months of 2012, compared to U.S.\$75.7 million for the same period in 2011. This decrease was primarily due to lower interest rates in the first three months of 2012 compared to the same period in 2011, partially offset by higher debt. CODELCO's average interest rate is 4.34% as of March 31, 2012. As of March 31, 2012, 83% of bond debt had a fixed rate and 17% had a floating rate.

*Share of profit of associates and joint ventures accounted for using the equity method.* CODELCO's net equity participation in related companies increased to a net of U.S.\$116.1 million in the first three months of 2012,

compared to U.S.\$14.8 million for the same period in 2011. This increase was primarily due to higher share of profit from GNL Mejillones S.A., Copper Partners Investment Company (“CUPIC”) and El Abra.

*Profit before tax.* Profit before tax was U.S.\$1.14 billion in the first three months of 2012, compared to U.S.\$1.97 billion for the same period in 2011, principally due to a decrease in copper prices and volumes sold.

*Income tax expense.* For the first three months of 2012, CODELCO had an effective income tax rate of 58.5% in accordance with regulations, comprised of a corporate income tax of 18.5% (increased from the 17% applicable in 2010 and decreased from the 20% applicable in 2011) and a 40% tax on the earnings of state-owned enterprises specified in Decree Law 2.398, Art 2. In April 2012, a new tax bill was submitted to the Chilean Congress by the President of the Republic that would permanently increase corporate income tax to 20%, in addition to other measures. As of the date of this offering memorandum, the bill is still pending in the Chilean Congress. As of 2012, CODELCO is also subject to an additional mining tax that is based on its operating income, and, effective for its 2012 fiscal year, is imposed at progressive rates of between 5% and 14%. CODELCO’s effective rate of the mining tax for 2011 was 5.7%. CODELCO’s taxes on income amounted to U.S.\$684 million and U.S.\$1.2 billion for the first three months of 2012 and 2011, respectively.

*Profit.* CODELCO’s profit was U.S.\$456 million in the first three months of 2012, compared to U.S.\$743 million for the same period of 2011, principally due to a decrease in copper prices and volumes sold.

## Results from Operations for the Three Years Ended December 31, 2011

The following table sets forth CODELCO’s summarized results of operations for the years ended December 31, 2009, 2010 and 2011:

|                                                                                                | Year ended December 31, |           |           | % Change  |           |
|------------------------------------------------------------------------------------------------|-------------------------|-----------|-----------|-----------|-----------|
|                                                                                                | 2009                    | 2010      | 2011      | 2009/2010 | 2010/2011 |
|                                                                                                | (in millions of U.S.\$) |           |           |           |           |
| Revenues .....                                                                                 | \$ 12,379               | \$ 16,066 | \$ 17,515 | 29.8%     | 9.0%      |
| Cost of sales .....                                                                            | (7,666)                 | (9,089)   | (10,283)  | 18.6      | 13.1      |
| Gross profit .....                                                                             | 4,713                   | 6,977     | 7,232     | 48.0      | 3.7       |
| Other income.....                                                                              | 308                     | 141       | 726       | (54.2)    | 414.9     |
| Administrative expenses.....                                                                   | (324)                   | (390)     | (452)     | 20.4      | 15.9      |
| Other expenses .....                                                                           | (1,458)                 | (2,059)   | (2,307)   | 41.2      | 12.0      |
| Finance cost.....                                                                              | (319)                   | (331)     | (294)     | 3.8       | (11.2)    |
| Share of profit of associates and joint ventures<br>accounted for using the equity method..... | 311                     | 303       | 353       | (2.6)     | 16.5      |
| Exchange differences .....                                                                     | (267)                   | (203)     | 217       | (24.0)    | (206.9)   |
| Profit (for the period before tax) .....                                                       | 2,988                   | 4,488     | 5,547     | 50.2      | 23.6      |
| Income tax expense .....                                                                       | (1,814)                 | (2,612)   | (3,492)   | 44.0      | 33.7      |
| Profit for the period .....                                                                    | 1,174                   | 1,876     | 2,055     | 59.8      | 9.5       |
| Profit attributable to owners of parent .....                                                  | 1,176                   | 1,878     | 2,056     | 59.7      | 9.5       |
| Profit (loss), attributable to non-controlling interests ..                                    | (2)                     | (1)       | (1)       | (50.0)    | –         |

*Revenues.* The following table sets forth CODELCO’s revenues for the years ended December 31, 2009, 2010 and 2011:

|                                      | Year ended December 31, |           |           | % Change  |           |
|--------------------------------------|-------------------------|-----------|-----------|-----------|-----------|
|                                      | 2009                    | 2010      | 2011      | 2009/2010 | 2010/2011 |
|                                      | (in millions of U.S.\$) |           |           |           |           |
| Revenues .....                       | \$ 12,379               | \$ 16,066 | \$ 17,515 | 29.8%     | 9.0%      |
| Sales of CODELCO’s own copper .....  | 10,297                  | 13,459    | 14,338    | 30.7      | 6.5       |
| Sales of third-party copper .....    | 826                     | 1,256     | 1,346     | 52.0      | 7.2       |
| Sales of by-products and other ..... | 1,255                   | 1,351     | 1,832     | 7.6       | 35.6      |

Revenues increased by 9.0% to U.S.\$17.51 billion in 2011, compared to U.S.\$16.07 billion for 2010 and increased by 29.8% to U.S.\$16.07 billion in 2010, compared to U.S.\$12.38 billion in 2009. The increase in 2011 was principally due to an increase of U.S.\$879 million in the sales of CODELCO’s own copper during 2011, resulting from an increase in CODELCO’s average copper prices from U.S.\$3.22 per pound to U.S.\$3.81 per pound. The increase in 2010 was also primarily due to an increase in CODELCO’s average copper prices, from U.S.\$2.41

per pound in 2009 to U.S.\$3.22 per pound in 2010. In 2011, total tonnage of copper sold decreased 2.9% to 2.00 million tons from 2.06 million tons in 2010, mainly due to the 10.2% decrease of third-party copper sold, which decreased from 162 thousand tons sold in 2010 to 145 thousand tons sold in 2011. In 2010, total tonnage of copper sold decreased 1.6% to 2.06 million tons from 2.09 million tons in 2009, mainly due to the 2.0% decrease of own copper sold, which decreased from 1.94 million tons sold in 2009 to 1.90 million tons sold in 2010.

Third-party copper sales totaled U.S.\$1.35 billion in 2011, compared to U.S.\$1.26 billion in 2010 and U.S.\$826 million in 2009, primarily due to the increase in copper prices in each of these years. In general, changes in the volume of third-party copper sold are dependent upon CODELCO's need to meet requirements under sales contracts and, to a lesser extent, to participate in the spot market for copper based on its evaluation of market conditions.

Sales of by-products and other increased by 35.6% to U.S.\$1.83 billion in 2011, compared to U.S.\$1.35 billion in 2010. Sales of by-products in 2010 increased by 7.6% as compared to U.S.\$1.26 billion in 2009. The increase in 2011 was primarily due to a 66.9% increase in other by-products sales such as anodic slimes and sulfuric acid as a result of higher prices for these by-products. The increase in 2010 was mainly due to a 40.5% increase in CODELCO's average price of molybdenum sold from U.S.\$10.88 per pound to U.S.\$15.29 per pound, partially offset by a 3.5% decrease in the sales volume of sulfuric acid and a decline of approximately 50% in its price.

*Cost of Sales.* The following table sets forth CODELCO's total cost of sales for the years ended December 31, 2009, 2010 and 2011:

|                                                    | Year ended December 31, |          |           | % Change  |           |
|----------------------------------------------------|-------------------------|----------|-----------|-----------|-----------|
|                                                    | 2009                    | 2010     | 2011      | 2009/2010 | 2010/2011 |
|                                                    | (in millions of U.S.\$) |          |           |           |           |
| Cost of sales .....                                | \$ 7,666                | \$ 9,089 | \$ 10,283 | 18.6%     | 13.1%     |
| Cost of CODELCO's own copper <sup>(1)</sup> .....  | 6,162                   | 7,191    | 8,114     | 16.7      | 12.8      |
| Cost of third-party sales .....                    | 828                     | 1,257    | 1,331     | 51.8      | 5.9       |
| Cost of by-products and other <sup>(1)</sup> ..... | 676                     | 641      | 838       | (5.2)     | 30.7      |

(1) "Cost of CODELCO's own copper" and "Cost of by-products and other" have been reclassified for the years ended December 31, 2009 and 2010 because the operating costs of Minera Gaby S.A., which were previously considered under the item "Other costs of sales," are now considered part of the cost of sales of copper as part of Gabriela Mistral's operations for the production of copper that is sold.

CODELCO's total cost of sales increased by 13.1% to U.S.\$10.28 billion (58.7% of sales) in 2011, compared to U.S.\$9.09 billion (56.6% of sales) in 2010. In 2010, CODELCO's total cost of sales increased by 18.6%, compared to U.S.\$7.67 billion (60.5% of sales) in 2009. The increases in both periods were mainly due to higher copper prices, the appreciation of the Chilean peso against the U.S. dollar and higher costs of inputs used in the production process, including electricity, oil and spare parts.

CODELCO's cost of sales of its own copper increased by 12.8% to U.S.\$8.11 billion in 2011, compared to U.S.\$7.19 billion in 2010. CODELCO's cost of sales of its own copper increased by 16.7% in 2010, compared to U.S.\$6.16 billion in 2009. In both periods, these increases were primarily due to the appreciation of the Chilean peso against the U.S. dollar and higher costs of inputs used in the production process, including electricity, oil and spare parts.

The cost of copper purchased from third parties increased by 5.9% in 2011 to U.S.\$1.33 billion, as compared to U.S.\$1.26 billion in 2010 and by 51.8% in 2010, as compared to U.S.\$828 million in 2009, primarily as a result of the increase in the average price of copper purchased in each of these years.

The cost of by-products and other increased by 30.7% to U.S.\$838 million in 2011, compared to U.S.\$641 million in 2010, mainly due to an increase in cost of sales of both molybdenum and other by-products and services. The cost of by-products and other decreased by 5.2% in 2010, compared to U.S.\$676 million in 2009, mainly due to a 2.4% decrease in cost of sales of other by-products and services, partially offset by an increase of 12.0% in molybdenum cost of sales. "Cost of CODELCO's own copper" and "Cost of by-products and other" have been reclassified for the years ended December 31, 2009 and 2010 because the operating costs of Minera Gaby S.A.,

which were previously considered under the item “Other costs of sales,” are now considered part of the cost of sales of copper as part of Gabriela Mistral's operations for the production of copper that is sold.

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 compared to the total reserves of the mine. Depreciation and amortization expenses increased by 13.9% to U.S.\$1.49 billion in 2011, compared to U.S.\$1.30 billion in 2010 and increased by 20.4% to U.S.\$1.30 billion in 2010, compared to U.S.\$1.08 billion in 2009. The increases in each of these years were due to higher levels of overall investment that resulted in depreciable assets.

*Gross profit.* Gross profit amounted to U.S.\$7.23 billion in 2011, compared to U.S.\$6.98 billion in 2010 and U.S.\$4.71 billion in 2009. The increases in each of these years were due to the increases in the average price received for CODELCO's product mix, partially offset by increases in costs related primarily to increases in the price for minerals purchased by CODELCO from third parties.

*Other income.* Other income increased 414.9% to U.S.\$726 million in 2011, compared to U.S.\$141 million in 2010. This increase was mainly due to the sale of 100% of CODELCO's equity stake in E-CL S.A. (formerly Edelnor S.A.) to the public for U.S.\$1.051 billion in January 2011 and the sale of 66% of CODELCO's stake in Inca de Oro S.A. in February 2011. The estimated book value of CODELCO's investment was U.S.\$672 million, and the Government of Chile permitted CODELCO to retain the gain (less expenses), which amounted to U.S.\$375 million. Without the sale of its stake in E-CL S.A., CODELCO's other income would have increased 148.1% to U.S.\$351 million in 2011 compared to 2010. In 2010, other income decreased 54.1% from U.S.\$308 million in 2009, mainly due to the reversal of provisions for employee benefits and for future closing costs based on revised estimations and other income related to insurance indemnities.

*Administrative expenses.* Administrative expenses were U.S.\$452 million (2.6% of total sales) for 2011, compared to U.S.\$390 million (2.4% of total sales) in 2010 and U.S.\$324 million (2.6% of total sales) in 2009. The increases in each of these years were due primarily to higher third-party services expenses, salaries and other expenses.

*Other expenses.* Other expenses amounted to U.S.\$2.31 billion (13.2% of total sales) for 2011, compared to U.S.\$2.06 billion (12.8% of total sales) in 2010 and U.S.\$1.46 billion (11.8% of total sales). These increases were primarily due to subsequent increases in the export tax paid by the Company (pursuant to Law 13.196). In addition, in 2010 as compared to 2009, employee benefits-related expenses increased as a result of the implementation of the early retirement plans and workforce reduction programs implemented at the end of 2010.

The following table sets forth the principal components of CODELCO's other expenses for the periods indicated:

|                                 | Year ended December 31, |                   |                   |
|---------------------------------|-------------------------|-------------------|-------------------|
|                                 | 2009                    | 2010              | 2011              |
|                                 | (in millions of U.S.\$) |                   |                   |
| Law 13.196 export tax.....      | \$ (980)                | \$ (1,331)        | \$ (1,486)        |
| Employee benefits expenses..... | (143)                   | (496)             | (313)             |
| Other expenses .....            | (336)                   | (232)             | (508)             |
| Total .....                     | <u>\$ (1,458)</u>       | <u>\$ (2,059)</u> | <u>\$ (2,307)</u> |

CODELCO recorded other expenses of U.S.\$2.30 billion, U.S.\$2.06 billion and U.S.\$1.46 billion in 2011, 2010 and 2009, respectively, pursuant to Law 13.196, which levies a 10% tax on CODELCO's exports of its own copper and related by-products. The increases of this tax recorded in 2011 compared to 2010 and in 2010 compared to 2009 were mainly due to corresponding increases in export sales of CODELCO's own copper as a result of higher copper prices.

*Finance cost.* Finance cost decreased to U.S.\$294 million in 2011, compared to U.S.\$331 million for 2010 and U.S.\$319 million in 2009. The decrease was primarily due to lower interest rates in 2011 compared to 2010, despite the increase in the amount of debt. The increase in 2010, compared to 2009, was primarily due to an



increase in the average level of debt, partially offset by lower average interest rates. CODELCO's average interest rate is 4.31% as of December 31, 2011. As of December 31, 2011, 82% of CODELCO's bond debt had a fixed rate and 18% had a floating rate.

*Share of profit of associates and joint ventures accounted for using the equity method.* CODELCO's net equity participation in related companies increased to U.S.\$353 million in 2011, compared to U.S.\$303 million in 2010. The increase in 2011 was due to higher profit received from CUPIC and GNL Mejillones, partially offset by the sale of CODELCO's equity interest in E-CL S.A. in early 2011. Net equity participation decreased to U.S.\$303 million in 2010, compared to U.S.\$311 million in 2009. The decrease in 2010 was primarily due to lower profit received from joint ventures accounted for using the equity method (Copper Partners Investment Company Ltd.).

*Profit before tax.* Profit before tax was U.S.\$5.5 billion in 2011, compared to U.S.\$4.5 billion in 2010 and U.S.\$3.0 billion in 2009. The increases in each of these years were primarily due to increases in copper prices.

*Income tax expense.* In 2011, CODELCO had an effective income tax rate of 60% in accordance with applicable regulations, comprised of a corporate income tax of 20% (increased from the 17% rate applicable in 2010) and a 40% tax on the earnings of state-owned enterprises specified in Decree Law 2.398, Art. 2. In April 2012, a new tax bill was submitted to the Chilean Congress by the President of the Republic that would permanently increase corporate income tax to 20%, in addition to other measures. As of the date of this offering memorandum, the bill is still pending in the Chilean Congress. CODELCO is also subject to an additional mining tax that is based on its operating income, and, effective for its 2012 fiscal year, is imposed at progressive rates of between 5% and 14%. CODELCO's effective rate of the mining tax for 2011 was 5.7%. See also "Risk Factors—Risks Relating to CODELCO's Relationship with the Chilean Government—CODELCO is subject to special taxes and distributions." CODELCO's taxes on income amounted to U.S.\$3.5 billion and U.S.\$2.6 billion and U.S.\$1.8 billion for 2011, 2010 and 2009, respectively. In each of these years, higher taxes on income reflect higher pre-tax profit due to higher copper prices.

*Profit.* CODELCO's profit increased 9.5% in 2011 to U.S.\$2.1 billion, compared to U.S.\$1.9 billion in 2010, and increased 59.8% in 2010 compared to 2009, when profit totaled U.S.\$1.2 billion. The increase in 2011 was primarily due to higher copper prices. The increase in 2010 was mainly due to high copper and molybdenum 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. In addition, CODELCO is generally required to transfer its net income to the Chilean Treasury, and is limited to funding with internally generated cash from deferred taxes, amortization and depreciation. In 2011, funding available to CODELCO from these three sources totaled U.S.\$1.55 billion (U.S.\$68 million from deferred taxes, U.S.\$465 million from amortization and U.S.\$1.02 billion from depreciation). When deferred taxes become payable, the use of cash required for the payment of such taxes reduces the amount of internally generated funding available for investment. See Note 5 to the 2011 Year-end Consolidated Financial Statements for further information on deferred taxes. In 2009, an extraordinary contribution to CODELCO of U.S.\$1 billion was authorized as part of the Interim Provisions of Law 20.392 of 2009. In January 2011, the Government of Chile authorized CODELCO to sell its equity interest in E-CL S.A. (formerly Edelnor S.A.) to the public and retain the difference between the cash proceeds (less expenses) and the book value, which amounted to U.S.\$375 million. The sale proceeds totaled U.S.\$1.051 billion, and the estimated book value of CODELCO's investment was U.S.\$672 million. In June 2012, the Ministries of Mining and Finance approved the capitalization of approximately 40% of 2011 net income, or U.S.\$800 million (in addition to the authorization for CODELCO to retain the gain (less expenses) over the estimated book value of CODELCO's investment from the proceeds obtained in its sale of its equity interest in E-CL S.A. (formerly Edelnor S.A.), announced after the sale in 2011). Since 2007, the Government of Chile has authorized the capitalization and retention of almost U.S.\$3.2 billion within CODELCO. CODELCO currently expects the Ministries of Mining and Finance to approve retention in the range of 10% to 15% of its pre-tax profit in each year over the next five years, although there can be no assurance that such profit retention will be approved in those years or in future years. See "Business—Resources and Reserves."

*Cash flow.* For the year ended December 31, 2011, net cash flow from operating activities decreased to U.S.\$2.65 billion from U.S.\$3.26 billion for the same period in 2010. The decrease in net cash flow from operating activities resulted from increases in payments to suppliers, taxes and other payments related to operations and to employees, partially offset by increases in sales of goods and services during the period, which were due to an increase in copper prices. For the first three months of 2012, net cash flow from operating activities decreased 35.6% to U.S.\$527 million from U.S.\$818 million for the same period in 2011. This decrease in net cash flow from operating activities resulted from decreases in sales of goods and services during the period, which was due to a decrease in copper prices and decreases in payments to suppliers, taxes and other payments related to operations and to employees. See Note 26 to the 2011 Year-end Consolidated Financial Statements and to the Unaudited Interim Consolidated Financial Statements.

For the year ended December 31, 2010, CODELCO's net cash flow from operating activities amounted to U.S.\$3.26 billion, remaining stable from U.S.\$3.27 billion in 2009 despite rising copper prices, mainly due to the increase in the income tax paid, increased prices of inputs and service for production and the appreciation of the Chilean peso against the U.S. dollar.

CODELCO prepaid in full (i) on September 9, 2011, a U.S.\$200 million loan from Banco Santander that would have matured in December 2011 and (ii) on September 30, 2011, a U.S.\$200 million loan from Export Development Canada that would have matured in March 2012.

*Bank debt.* CODELCO's total financial debt as a percentage of its total capitalization was 51.2% at December 31, 2009, 58.3% at December 31, 2010, 53.8% at December 31, 2011 and 52.1% at March 31, 2012. CODELCO's total outstanding financial debt at December 31, 2010 and at December 31, 2011 was U.S.\$6.35 billion and U.S.\$7.05 billion, respectively. At December 31, 2009, the total outstanding financial debt of CODELCO was approximately U.S.\$4.67 billion. As adjusted to give effect to the offering of the notes and the use of proceeds, CODELCO's total financial debt as a percentage of its total capitalization would be 55.7%, and its total outstanding financial debt would be U.S.\$8.21 billion as of March 31, 2012.

In August 2007, CODELCO entered into a U.S.\$400 million, seven-year unsecured syndicated bank loan with a group of international financial institutions, which bears interest at a rate of LIBOR plus an average margin of 16.42 basis points. The loan requires three payments of principal in the fifth, sixth and seventh years.

In November 2010, CODELCO entered into a U.S.\$75 million, five-year unsecured bilateral bank loan with Banco Santander, S.A., London Branch, which bears interest at a rate of LIBOR plus 85 basis points.

In December 2010, CODELCO entered into four five-year U.S. dollar unsecured bilateral bank loans with the following banks and terms:

|                                        | <b>Credit Amount</b> | <b>Interest Rate</b>       |
|----------------------------------------|----------------------|----------------------------|
| HSBC Bank Bermuda Ltd.                 | U.S.\$162.5 million  | LIBOR plus 85 basis points |
| The Bank of Tokyo–Mitsubishi UFJ, Ltd. | U.S.\$100.0 million  | LIBOR plus 75 basis points |
| Banco Santander, S.A., London Branch   | U.S.\$100.0 million  | LIBOR plus 85 basis points |
| Export Development Canada              | U.S.\$250.0 million  | LIBOR plus 80 basis points |

In February 2011, CODELCO entered into a U.S.\$100 million, five-year unsecured bilateral bank loan with Sumitomo Mitsui, which bears interest at a rate of LIBOR plus 83 basis points.

In October and November 2011, CODELCO entered into four five-year U.S. dollar unsecured bilateral bank loans, each with a commitment fee of 10 basis points, with the banks and terms described below.

|                                        | <b>Credit Amount</b> | <b>Interest Rate</b>       | <b>Availability Period</b> |
|----------------------------------------|----------------------|----------------------------|----------------------------|
| HSBC Bank USA, National Association    | U.S.\$250.0 million  | LIBOR plus 60 basis points | 9 months                   |
| The Bank of Tokyo–Mitsubishi UFJ, Ltd. | U.S.\$250.0 million  | LIBOR plus 50 basis points | 6 months                   |
| Mizuho Corporate Bank Ltd.             | U.S.\$100.0 million  | LIBOR plus 60 basis points | 6 months                   |

|                           |                     |                            |          |
|---------------------------|---------------------|----------------------------|----------|
| Export Development Canada | U.S.\$250.0 million | LIBOR plus 50 basis points | 9 months |
|---------------------------|---------------------|----------------------------|----------|

In April 2012, CODELCO drew on 100% of its commitments described above with The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Corporate Bank Ltd. CODELCO expects to draw on 100% of its commitments described above with HSBC Bank USA, National Association and Export Development Canada in July 2012.

In May 2012, CODELCO entered into a two-tranche U.S. dollar unsecured bilateral loan, each tranche with a commitment fee of 15 basis points per annum with a maturity date of (i) ten years for the Japan Bank for International Cooperation loan and (ii) seven years for The Bank of Tokyo-Mitsubishi UFJ, Ltd., to be disbursed by the lenders on a pro rata basis, for the development, construction and operation of a metals processing plant to be constructed in Mejillones and the export of certain metals to Japanese customers pursuant to long-term offtake agreements. The terms of the loan are described below:

|                                          | <b>Credit Amount</b> | <b>Interest Rate</b>       | <b>Availability Period</b> |
|------------------------------------------|----------------------|----------------------------|----------------------------|
| Japan Bank for International Cooperation | U.S.\$224.0 million  | LIBOR plus 45 basis points | 36 months                  |
| The Bank of Tokyo–Mitsubishi UFJ, Ltd.   | U.S.\$96.0 million   | LIBOR plus 55 basis points | 36 months                  |

*Other Debt.* 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% and mature on September 1, 2012. 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 November 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.

In October 2004, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$500 million. These notes will mature on October 15, 2014, and accrue interest at a rate of 4.750% per annum payable on a semi-annual basis.

In May 2005, CODELCO issued and placed in the Chilean market notes with an aggregate principal amount of UF 6.9 million, which accrue interest at an annual rate of 3.29%. 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 September 2005, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$500 million. These notes will mature on September 21, 2035, and accrue interest at a rate of 5.625% per annum payable on a semi-annual basis.

In October 2006, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$500 million. These notes will mature on October 24, 2036, and accrue interest at a rate of 6.150% per annum payable on a semi-annual basis.

In January 2009, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$600 million. These notes will mature on January 20, 2019, and accrue interest at a rate of 7.500% per annum payable on a semi-annual basis.

In October 2010, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$1 billion. These notes will mature on November 4, 2020, and accrue interest at a rate of 3.750% per annum payable on a semi-annual basis.

In October 2011, CODELCO issued and placed in the international markets notes with an aggregate principal amount of U.S.\$1.15 billion. These notes will mature on November 3, 2021, and accrue interest at a rate of 3.875% per annum payable on a semi-annual basis.

Additionally, apart from the committed unsecured bilateral bank loans mentioned above, CODELCO has uncommitted short-term lines of credit available for U.S.\$2.52 billion. The Government of the Republic of Chile has authorized CODELCO's use of only U.S.\$1 billion of such short-term lines of credit. In addition, Codelco-Kupferhandel GmbH has a short-term line of credit for U.S.\$60 million, with a comfort letter provided by CODELCO.

The following table sets forth the scheduled maturities of CODELCO's contractual obligations as of March 31, 2012, adjusted to give effect to the offering of the notes:

|                                          | Contractual Financial Obligations Outstanding<br>(in millions of U.S.\$) |                     |               |               |               |                      | Average Annual<br>Interest Rate |
|------------------------------------------|--------------------------------------------------------------------------|---------------------|---------------|---------------|---------------|----------------------|---------------------------------|
|                                          | Total                                                                    | Less than<br>1 year | 1-2 years     | 2-3 years     | 3-5 years     | More than<br>5 years |                                 |
| <b>Contractual Financial Obligations</b> |                                                                          |                     |               |               |               |                      |                                 |
| Long-term debt .....                     | \$ 1,231                                                                 | \$ 34               | \$ 12         | \$ 400        | \$ 785        | \$ —                 | LIBOR + 0.60%                   |
| Notes payable.....                       | 5,884                                                                    | 768                 | 512           | 508           | —             | 4,095                | 5.10%                           |
| Total.....                               | <u>\$ 7,115</u>                                                          | <u>\$ 803</u>       | <u>\$ 524</u> | <u>\$ 908</u> | <u>\$ 785</u> | <u>\$ 4,095</u>      |                                 |

In addition to the obligations set forth in the table above, CODELCO was a party to certain commitments primarily to secure the payment of deferred customs duties and severance payment obligations payable upon retirement of individual employees, amounting to U.S.\$23 million and U.S.\$738 million, respectively, as of December 31, 2011, and to U.S.\$19 million and U.S.\$769 million, respectively, as of March 31, 2012. See Notes 29 and 18 to the 2011 Year-end Consolidated Financial Statements. Additionally, CODELCO has deferred tax liabilities of U.S.\$335 million receivable in 2012, U.S.\$(237) million payable in 2013, U.S.\$(333) million payable in 2014, U.S.\$(302) million payable in 2015 and U.S.\$(1,000) million payable after 2016. CODELCO also has hedged approximately 112,500 metric tons of copper through 2013, as of March 31 2012. See "Business and Properties—Marketing—Pricing and Hedging" and "Risk Factors—Risks Relating to CODELCO's Operations—CODELCO engages in hedging activity from time to time, particularly with respect to its copper production, which may not be successful and may result in losses to CODELCO."

*Capital Expenditure Program.* The Company seeks to maintain and improve its competitive position in the industry through its capital expenditure program. Following the completion of a number of significant projects in recent years, such as the development of sulfide ores at the Radomiro Tomic mine, the expansion at the Andina mine and the development of the Pilar Norte area at El Teniente mine, CODELCO intends to continue its development program. Accordingly, the Company expects to make capital expenditures of approximately U.S.\$27.4 billion over the next five years on major projects, creating new operations and transforming its main mining operations with a view towards the long-term development of its resources. The Company's investment plan for the next five years for expansion and development projects includes the following principal projects:

- the development of the Mina Ministro Hales ore body (U.S.\$1.9 billion investment to produce an expected total average of 170,000 tons of copper per year and 287 tons of silver per year when in full operation, which is expected in 2014);

- the expansion of the existing sulfide operation in the Radomiro Tomic mine (U.S.\$4.1 billion investment over the next five years to enable the Radomiro Tomic mine to produce an expected average of 345,000 tons of copper per year starting in 2016);
- the development of a new production level in the existing El Teniente underground mine (U.S.\$2.6 billion investment over the next five years to maintain El Teniente's current annual copper production of approximately 415,000 tons of copper per year starting in 2017; environmental approvals were obtained in March 2011);
- the gradual transfer of the Chuquicamata mine from an open pit mine to an underground operation (U.S.\$2.2 billion investment over the next five years to enable Chuquicamata to produce an expected total average of 343,000 tons of copper per year starting in 2018; environmental approvals were obtained in September 2010); and
- the expansion of the existing Andina mine (U.S.\$1.9 billion investment over the next five years to enable Andina to produce an expected average of an additional 305,000 tons of copper per year for a total expected average of approximately 600,000 tons of copper per year starting in 2020).

In the first three months of 2012, CODELCO invested U.S.\$608 million in expansion and development projects, including Mina Ministro Hales. In 2011, CODELCO invested U.S.\$2.63 billion in expansion and development projects, including Mina Ministro Hales, Chuquicamata Underground, Andina Phase II and El Teniente New Mine Level. In 2010, CODELCO invested over U.S.\$2.62 billion, principally in the development of the Andina Phase I Expansion Project, the Radomiro Tomic Sulfides project and the Pilar Norte area at El Teniente mine.

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, including capitalization and retention of net income, new borrowing from banks and capital markets to fund its anticipated capital expenditures and investment. As described in "Regulatory Framework—Overview of the Regulatory Regime" below, the Ministries of Mining and Finance determine by means of a joint decree the amount that the Company shall allocate to the creation of capitalization and reserve funds. In January 2011, the Government of Chile authorized CODELCO to sell its equity interest in E-CL S.A. (formerly Edelnor S.A.) to the public and retain the difference between the cash proceeds (less expenses) and the book value, which amounted to U.S.\$375 million. The sale proceeds totaled U.S.\$1.051 billion, and the estimated book value of CODELCO's investment was U.S.\$672 million. In June 2012, the Ministries of Mining and Finance approved the capitalization of approximately 40% of 2011 net income, or U.S.\$800 million. Since 2007, the Government of Chile has authorized the capitalization and retention of almost U.S.\$3.2 billion within CODELCO. CODELCO currently expects the Ministries of Mining and Finance to approve retention in the range of 10% to 15% of its pre-tax profit in each year over the next five years, although there can be no assurance that such profit retention will be approved. In addition, although an extraordinary contribution to the Company of U.S.\$1.0 billion was authorized in 2009, CODELCO expects to continue to utilize debt financing to finance its investments.

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." CODELCO invested U.S.\$286 million in these projects from 2007 to 2011, and plans to continue implementing its pollution abatement plan through additional capital investments of approximately U.S.\$500 million from 2012 through 2013. In 2011, CODELCO invested U.S.\$72 million in environmental projects, including the fifth stage of the Carén tailings dam in the El Teniente Division and a project to prevent pollution of natural water resources in the east

dump area in the Andina Division. This figure includes the investment made in the Gabriela Mistral Mine. CODELCO's investment of approximately U.S.\$190 million in 2012 includes the continuation of the project to prevent pollution of natural water resources in the east dump area in the Andina Division, a new phase of the Talabre tailings dam in the Chuquicamata Division and the sixth stage of Carén Tailings dam in El Teniente Division, among others. In 2013, planned investments include projects in the Ovejería tailings dam in the Andina Division, the project to prevent pollution of natural water resources in the east dump area in the Andina Division and various projects in the Ventanas division for the abatement of atmospheric emissions, among others.

The following table sets forth CODELCO's principal environmental investments in the years 2009-2011:

|                            | Environmental Investments<br>(in millions of U.S.\$) |      |      | Total |
|----------------------------|------------------------------------------------------|------|------|-------|
|                            | 2009                                                 | 2010 | 2011 |       |
| Decontamination plans..... | 0.3                                                  | —    | 0.1  | 0.4   |
| Tailing dams.....          | 27.0                                                 | 49.3 | 48.9 | 125.2 |
| Solid wastes.....          | 1.9                                                  | 1.1  | 7.1  | 10.1  |
| Liquid wastes .....        | 13.4                                                 | 10.9 | 10.3 | 34.6  |
| Others.....                | 2.0                                                  | 0.3  | 5.5  | 7.8   |
| Total .....                | 44.6                                                 | 61.6 | 71.9 | 178.1 |

*Distributions to the Chilean Treasury.* As a state-owned enterprise and according to its governing law, CODELCO's net income is due to be transferred to the Chilean Treasury. Before June 30 of each year, the Ministries of Mining and Finance determine, by means of a joint decree, the amount that the Company shall allocate to the creation of capitalization and reserve funds. The amount not allocated to the creation of capitalization and reserve funds is distributed to the Chilean Treasury.

In 2009, 2010 and 2011, CODELCO distributed U.S.\$2.97 billion, U.S.\$5.99 billion and U.S.\$6.90 billion 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 Treasury for each of the three years ended December 31, 2011 and for the three months ended March 31, 2012.

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

|                                   | Year Ended December 31, |          |          | For the three<br>months ended<br>March 31,<br>2012 |
|-----------------------------------|-------------------------|----------|----------|----------------------------------------------------|
|                                   | 2009                    | 2010     | 2011     |                                                    |
| Income tax payments.....          | \$ 1,218                | \$ 2,515 | \$ 3,852 | \$ 404                                             |
| Export tax under Law 13.196 ..... | 912                     | 1,271    | 1,576    | 319                                                |
| <b>Subtotal</b> .....             | \$ 2,130                | \$ 3,786 | \$ 5,429 | \$ 723                                             |
| Net income distributions .....    | 836                     | 2,206    | 1,472    | —                                                  |
| <b>Total</b> .....                | \$ 2,966                | \$ 5,992 | \$ 6,901 | \$ 723                                             |

*Production Hedging.* CODELCO has hedged certain future copper delivery commitments and production in order to manage the risk associated with copper price volatility. As of March 31, 2012, these hedges had a range of maturities through January 2013, covered approximately 112,500 metric tons of copper (not to exceed approximately 7.6% of anticipated annual production in any of the years covered), and had an outstanding negative exposure (mark-to-market value less than their carrying values) before taxes of U.S.\$636 million. In the first three months of 2012, CODELCO's production hedging activities had a negative impact of U.S.\$203 million on pre-tax income, with the effect of the hedges being reflected in CODELCO's sales at the time they are settled. See Note 25 to the Unaudited Interim Consolidated Financial Statements. In the first three months of 2011, CODELCO's

production hedging activities had a negative impact of U.S.\$345 million on pre-tax income, and for the year 2011, had a negative impact of U.S.\$1,213 million on pre-tax income.

CODELCO's production hedging activities would cause it to lose some of the benefit of an increase in copper prices if copper prices increase over the level of CODELCO's hedge position, as occurred in 2011. The cash flows from and the mark-to-market values of CODELCO's production hedges can be affected by factors such as the market price of copper, copper price volatility and interest rates, which are not under CODELCO's control.

CODELCO's production hedging agreements contain events of default and termination events that could lead to early close-outs of CODELCO's hedges. These include failure to pay, breach of the agreement, misrepresentation, default under CODELCO's loans or other hedging agreements and bankruptcy. In the event of an early termination of CODELCO's hedging agreements, the cash flows from the affected hedge instruments would cease and CODELCO and the relevant hedge counterparty would settle all of CODELCO's obligations at that time. In that event, there could be a lump sum payment to be made either to or by CODELCO. The magnitude and direction of such a payment would depend upon, among other things, the characteristics of the particular hedge instruments that were terminated and the market price of copper and copper price volatility and interest rates at the time of termination.

See "Business and Properties—Marketing—Pricing and Hedging," "Risk Factors—Risks Relating to CODELCO's Operations—CODELCO engages in hedging activity from time to time, particularly with respect to its copper production, which may not be successful and may result in losses to CODELCO," Note 28 to the 2011 Year-end Consolidated Financial Statements and to the Unaudited Interim Consolidated Financial Statements for further information on CODELCO's hedging activity.

*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 and paid pursuant to contracts providing for indexation to Chilean inflation, and approximately 100% 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 March 31, 2012, 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 U.S.\$373 million, which is equivalent to, and sufficient to cover, 100% of CODELCO's outstanding UF-denominated bonds.

As of March 31, 2012, approximately 17% of CODELCO's financial debt was at a variable interest rate and 83% had a fixed rate.

## **Controls and Procedures**

CODELCO's management conducted an assessment utilizing The Committee of Sponsoring Organizations (COSO) criteria of the effectiveness of its internal control as of the year ended December 31, 2011. Based on the assessment performed, CODELCO's management identified two material weaknesses within the Company's SAP enterprise resource planning applications, specifically related to controlling the access to SAP and deficiencies in the assignment of profiles. Both situations detracted from an effective control environment.

The material weaknesses identified by CODELCO did not result in any impact on CODELCO's consolidated financial statements as of and for the three-month period ended March 31, 2011, as of and for the year ended December 31, 2011 and as of and for the three-month period ended March 31, 2012 or require the correction of any material misstatement in the Company's disclosures.

In response to the results of CODELCO's evaluation, management undertook remedial measures to implement additional controls and improve the functionalities in its SAP system. The principal procedures implemented by CODELCO included blocking the use of user accounts by employees whose work contracts had

been terminated and creating and implementing a predictive risk matrix by defining the profiles based on high, medium and low risk.

CODELCO has also created a position for a manager of internal risks to direct and oversee the implementation of changes and enhancements to its SAP system. CODELCO believes that its remediation measures have mitigated the risks within its SAP system and further believes that the material weaknesses have been remediated as of the date of this offering memorandum.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with generally accepted accounting principles in Chile as well as the application of IFRS 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 Section II to the 2011 Year-end Consolidated Financial Statements and Section II to the Unaudited Interim Consolidated Financial Statements.

*Useful Economic Lives and Residual Values of Property, Plant and Equipment.* The useful lives and residual values of property, plant and equipment assets that are used for calculating depreciation are determined based on technical studies prepared by specialists (both internal and external). When there are indicators that could lead to changes in the estimated useful lives of such assets, these changes are determined by using technical estimates considering specific factors related to the use of the assets.

*Ore Reserves.* The measurements of ore reserves are based on estimates of the ore resources that are economically exploitable, and reflect the technical considerations of CODELCO regarding the amount of resources that could be exploited and sold at prices exceeding the total cost associated with extraction and processing.

CODELCO applies judgment in determining ore reserves and, as such, possible changes in these estimates could significantly impact the estimates of net revenues over time. For such reason, these changes would lead to modifications in the usage estimates of certain assets and of the amount of certain decommissioning and restoration costs.

CODELCO estimates its reserves and mineral resources based on the information compiled by the "Competent Person" of the Company, as defined and regulated by Law 20.235. The estimations are based on the JORC (Joint Ore Reserves Committee) methodology, taking into consideration the historical information of the cost of goods sold and copper prices in the international market.

CODELCO also periodically reviews such estimates supported by external experts, who certify the determined reserves.

*Impairment of Assets.* CODELCO reviews the carrying amount of its assets to determine whether there is any indication that such amount cannot be recovered. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss with regard to the carrying amount. In the evaluation of impairment, the assets are grouped into cash generating units ("CGUs") to which the assets belong. The recoverable amount of these assets or CGUs is calculated as the present value of the cash flows expected to be derived from such assets, considering a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of the assets is less than their carrying amount, an impairment loss exists.



CODELCO defines the CGUs and also estimates the timing and cash flows that such CGUs should generate. Subsequent changes in the grouping of the CGU, or changes in the assumptions supporting the estimates of cash flows or the discount rate, could impact the book values of the corresponding assets.

CODELCO has assessed and determined that the CGUs are constituted at the level of each of its current operating divisions.

The review for impairment includes subsidiaries and associates.

*Provisions for Decommissioning and Site Restoration Costs.* An obligation to incur in decommissioning and site restoration costs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan and are reassessed annually or as of the date such obligations become known.

Significant estimates and assumptions are made in determining the provision for decommissioning and site restoration costs as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of decommissioning and site restoration activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. Environmental costs are estimated by using the work of external specialists and/or internal experts. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision as of a reporting date represents management's best estimate of the present value of the future decommissioning and site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment. Any reduction in the decommissioning and site restoration liability and therefore any deduction from the decommissioning and site restoration asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the decommissioning and site restoration liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36. If the revised asset net of decommissioning and site restoration provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. Any decommissioning and site restoration costs that arose as a result of the production phase of a mine should be expensed as incurred.

The costs arising from the installation of a plant or other site preparation projects are discounted at net present value, provided for and capitalized at the beginning of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged to net income over the life of the mine through depreciation of the asset. Depreciation is included in operating costs, while the unwinding of the discount in the provision is included in finance costs.

The costs for restoration of site damages, which are created on an ongoing basis during production, are provided for at their net current values and charged to profit or loss for the year as extraction progresses.

CODELCO's management applies its judgment and experience to provide for and amortize these estimated costs over the useful life of the mine.

*Accrual for Employee Benefits.* Employee benefits costs for severance payments and health benefits for services rendered by the employees are determined based on actuarial calculations using the Projected Credit Unit Method, and are charged to profit or loss on an accrual basis.

CODELCO uses assumptions to determine the best estimate for these benefits. Such estimates, as well as assumptions, are determined together with an external actuary. These assumptions include demographic assumptions, mortality and morbidity, discount rate and expected salary increases and rotation levels, among other

factors. Although CODELCO believes that the assumptions used are appropriate, a change in these assumptions could affect net income.

*Accruals for Open Invoices.* The substantial majority of copper produced by CODELCO is sold under annual contracts. Pricing on such contracts is based on prevailing monthly average prices quoted on the LME for a quotational period, generally the month following the scheduled month of shipment. CODELCO recognizes adjustments to its revenues and trade receivables after delivery of the copper. These adjustments are updated on a monthly basis. 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.

*Revenue Recognition.* Revenue is recorded when ownership rights and obligations have been substantially transferred to the purchaser, according to the shipment or dispatch of the products, in conformity with the agreed upon conditions and are subject to variations related to the content and/or sales price at their liquidation date. Notwithstanding the foregoing, there are certain contracts for which the rights and obligations are substantially transferred based on receipt of the product at the buyer's destination point, and for these contracts revenue is recorded at the moment of transfer.

Sales contracts include a provisional price at the shipment date, whose final price is generally based on the price recorded in the LME. Recognition of sales revenue for copper and other commodities is based on the estimates of the future spread of metal price (LME) and/or the spot price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of "Revenue." The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the "quotation period"). As such, the final price will be fixed on the dates indicated in the contracts. Adjustments to the sales price occurs based on movements in quoted market prices (LME) up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for the applicable metals.

Sales in the national market are recorded in conformity with the regulations that govern domestic sales as indicated in Articles 7, 8 and 9 of Law No. 16,624, modified by Article 15 of Decree Law No. 1,349 of 1976, on the determination of the sales price for the internal market.

Additionally, CODELCO recognizes revenue for providing services, mainly related to the processing of minerals bought from third parties. Revenue is recognized when the amounts can be measured reliably and when the services have been provided.

See "Business and Properties—Marketing—Pricing and Hedging" for information on hedge accounting.

*Fair Value of Derivatives and Other Instruments.* Management may use its judgment to choose an adequate and proper valuation method for the instruments that are not quoted in an active market. The Company applies customary valuation techniques used by other professionals in the industry. In the case of derivative financial instruments, assumptions are based on the observable market inputs, adjusted in conformity with the specific features of the instruments.

*Lawsuits and Contingencies.* CODELCO assesses the probability of lawsuits and contingency losses on an ongoing basis according to estimates performed by its legal advisors. For cases in which management and the Company's legal advisors believe that a favorable outcome will be obtained or when the results are uncertain and the lawsuits are still pending resolution, no provisions are recognized.

## BUSINESS AND PROPERTIES

CODELCO is the world's largest copper producer and the largest company in Chile in terms of sales (U.S.\$17.51 billion in 2011). As of December 31, 2011, CODELCO's total assets and equity amounted to U.S.\$20.83 billion and U.S.\$6.06 billion, respectively, without including the value of CODELCO's mining concessions and ore deposits (as of March 31, 2012, such amounts were U.S.\$21.30 billion and U.S.\$6.53 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 Republic of Chile and controls approximately 9% of the world's proven and probable copper reserves, as such term is defined by the U.S. Geological Survey. In 2011, CODELCO had an estimated 11% share of the total world copper production, with production of approximately 1.80 million metric tons (including CODELCO's share of the El Abra deposit, which is mined by Sociedad Contractual Minera El Abra, owned 49% by CODELCO and 51% by Cyprus El Abra Corporation (a subsidiary of Freeport McMoRan)) and an estimated 9% share of the world's molybdenum production with production of approximately 23,098 metric tons.

CODELCO's main commercial product is Grade A cathode copper. In 2011, CODELCO derived 90% of its total sales from copper and 10% of its total sales from by-products of its copper production (for the three-month period ended March 31, 2012, 91% and 9%, respectively).

The following table sets forth certain production, cost and price information relating to CODELCO for the three-year period ended December 31, 2011 and the three-month period ended March 31, 2011 and March 31, 2012:

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

|                                         | Year ended December 31, |       |       | Three months ended March 31, |       |
|-----------------------------------------|-------------------------|-------|-------|------------------------------|-------|
|                                         | 2009                    | 2010  | 2011  | 2011                         | 2012  |
| CODELCO's Copper Production .....       | 1,702                   | 1,689 | 1,735 | 414                          | 373   |
| CODELCO's Cash Cost of Production ..... | 92.9                    | 104.4 | 116.4 | 98.2                         | 130.2 |
| Average LME Price <sup>(1)</sup> .....  | 234.2                   | 342.0 | 399.7 | 437.5                        | 376.9 |

(1) Price for Grade A cathode copper.

CODELCO's mission is to maximize the value of its mineral resources for the benefit of its shareholder, the Chilean State, by fully developing its vast mining resources on a timely basis, leveraging the Company's experienced workforce, utilizing its advanced technological holds in key areas and by executing the following key strategic initiatives:

*Capital Expenditure Program.* The Company seeks to maintain and improve its competitive position in the industry through its capital expenditure program. Following the completion of a number of significant projects in recent years, such as the development of sulfide ores at the Radomiro Tomic mine, the expansion at the Andina mine and the development of the Pilar Norte area at El Teniente mine, CODELCO intends to continue its development program. Accordingly, the Company expects to invest approximately U.S.\$27.4 billion over the next five years on major projects, creating new operations and transforming its main mining operations with a view towards the long-term development of its resources. The Company's investment plan for the next five years for expansion and development projects includes:

- the development of the Mina Ministro Hales ore body (U.S.\$1.9 billion investment to produce an expected total average of 170,000 tons of copper per year and 287 tons of silver per year when in full operation, which is expected in 2014);

- the expansion of the existing sulfide operation in the Radomiro Tomic mine (U.S.\$4.1 billion investment over the next five years to enable the Radomiro Tomic mine to produce an expected average of 345,000 tons of copper per year starting in 2016);
- the development of a new production level in the existing El Teniente underground mine (U.S.\$2.6 billion investment over the next five years to maintain El Teniente's current annual copper production of approximately 415,000 tons of copper per year starting in 2017; environmental approvals were obtained in March 2011);
- the gradual transfer of the Chuquicamata mine from an open pit mine to an underground operation (U.S.\$2.2 billion investment over the next five years to enable Chuquicamata to produce an expected total average of 343,000 tons of copper per year starting in 2018; environmental approvals were obtained in September 2010); and
- the expansion of the existing Andina mine (U.S.\$1.9 billion investment over the next five years to enable Andina to produce an expected average of an additional 305,000 tons of copper per year for a total expected average of approximately 600,000 tons of copper per year starting in 2020).

*Improvement in operations.* A number of improvement initiatives are underway to adopt best industry practices, most notably in the areas of labor productivity, asset utilization rates and process efficiency. Together with its capital expenditure investment program, these initiatives are expected to enhance CODELCO's competitive position. The Company operates in a cyclical business and CODELCO's strategy is to ensure that it is able to take full advantage of high copper prices, even if this results in operating at a higher than optimal cost structure. The Company is developing a number of plans to achieve production targets in the coming years. These plans mainly focus on reducing the risk of disruptions to production and on providing increased flexibility to its operations.

*Exploration Effort.* CODELCO controls the largest copper reserves worldwide, the Company's single most important long-term competitive advantage. The discovery of new mining resources and improving its ability to locate existing ore bodies and prospects are critical to maintain this preeminent position in the industry. Accordingly, the Company's exploration program will continue to be a key part of its business strategy.

*Investment in Human Capital.* The successful execution of CODELCO's business strategy relies on continuing to attract and retain a world-class management team and professionals of the highest caliber. Against the background of increased competition for talent in the mining industry, the Company will continue to improve career development opportunities for its staff and the overall attractiveness of CODELCO as a preferred employer.

*Mining Association with Third Parties.* CODELCO seeks to continue to develop and operate assets in association with third parties in situations where these associations will add value to CODELCO's business. An example of the Company's willingness and ability to do so is the association with Freeport McMoran in the El Abra copper mine (CODELCO owns 49%). CODELCO believes its large mining reserve is a strong platform from which to establish such associations.

## **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 and sulfides. 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 refining processes described 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 scarcer 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 divided into seven divisions and separately, CODELCO operates the Gabriela Mistral Mine. In December 2010, CODELCO divided the former CODELCO Norte Division into the Chuquicamata and Radomiro Tomic Divisions.

- The Chuquicamata Division operates the Chuquicamata mine, one of the largest copper producing mines in the world, which began its operations in 1915 and currently includes smelting and refining capacities. In 2011, this division produced 443,381 metric tons of copper cathodes, or 24.7% of CODELCO’s total copper output (including CODELCO’s share of the El Abra deposit), with a cash cost of 110.8 cents per pound and a total cash cost of U.S.\$1,078 million.
- The Radomiro Tomic Division operates the Radomiro Tomic mine, which began its first full year of production in 1998 and is the world’s largest producer of copper using the SX-EW technology. In 2011, this division produced 470,096 metric tons of copper cathodes, or 26.2% of CODELCO’s total copper output (including CODELCO’s share of the El Abra deposit), with a cash cost of 100.3 cents per pound and a total cash cost of U.S.\$1,028 million.

- The El Teniente Division is the operator of El Teniente mine, which is the world's largest underground copper mine and has been in operation for more than 100 years. The El Teniente Division includes the Caletones smelter. In 2011, this division produced 400,294 metric tons of copper, or 22.3% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 92.4 cents per pound and a total cash cost of U.S.\$810 million.
- 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 has been in operation since 1970 and produced 234,348 metric tons of copper in 2011, or 13.0% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 127.9 cents per pound and a total cash cost of U.S.\$639 million.
- The Salvador Division includes the Salvador mine and concentrator and the smelter/refinery complex at Potrerillos, which has a capacity to treat 671,000 metric tons of concentrate. Salvador produced 69,044 metric tons of copper cathodes in 2011 from its own mine production, or 3.8% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 175.2 cents per pound and a total cash cost of U.S.\$267 million. CODELCO's Board of Directors has decided to phase out mining operations at the Salvador mine by 2016, or by 2021 if warranted by market and operational conditions. The Potrerillos smelter and refinery will continue to operate upon any cessation of the mining operations at Salvador.
- The Ventanas Division was created in connection with the acquisition of the Ventanas smelter/refinery complex from the Republic of Chile's state-owned mining company ENAMI in May 2005. The Ventanas smelter has a capacity to treat 400,000 metric tons of concentrate. Ventanas refined 401,509 metric tons of copper in 2011. Pursuant to the terms of the acquisition, CODELCO is required to provide on market terms the necessary smelting and refining capacity for the treatment of copper concentrate delivered by the small- and medium-sized mining industry that ENAMI serves.
- The Mina Ministro Hales Division was created in September 2010 for the operation of the Mina Ministro Hales ore body, which is expected to begin operations at the end of 2013 and expected to produce an average of 170,000 tons of copper per year and 287 tons of silver per year when in full operation in 2014.

CODELCO also operates Gabriela Mistral, which uses SX-EW technology. Gabriela Mistral produced its first copper cathodes in May 2008 after a 26-month construction period at a cost of U.S.\$1.03 billion. In 2011, this mine produced 118,078 metric tons of copper, or 6.6% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit) with a cash cost of 163.5 cents per pound and a total cash cost of U.S.\$432 million. The ore body is located in Chile's Second Region and contains proven and probable reserves of 542 million metric tons of oxidized mineral with a grade of 0.4% of total copper.

For a description of CODELCO's associations with other companies, see "—Associations, Joint Ventures and Partnerships" below.

Beginning in late 2010, CODELCO implemented a corporate reorganization plan which divided the management of the Company's operations into Operations Norte and Operations Centro-Sur, to supervise the divisions in the north and center-southern regions, respectively. Pursuant to the plan, CODELCO created a new mining division in the north (the Mina Ministro Hales Division), to manage the operations of the Mina Ministro Hales ore body, and divided the CODELCO Norte Division into the Chuquicamata and Radomiro Tomic Divisions. In addition, the reorganization was intended to simplify the organizational structure by causing all corporate administrative and support functions to report to a single vice president, and the productive divisions to concentrate on maximizing production, controlling costs and implementing safety measures. The Chuquicamata Division, Radomiro Tomic Division and Mina Ministro Hales Division are now supervised by the vice president of Operations Norte. The Salvador Division (moved from Operation Norte in early 2012), Andina Division, El Teniente Division and Ventanas Division are now supervised by the vice president of Operations Centro Sur.

CODELCO's copper production, excluding CODELCO's share of the El Abra deposit, decreased to 372,537 metric tons for the first three months of 2012 from 414,196 metric tons in the first three months of 2011.

This decrease was mainly due to expected decrease in the ore grade in all divisions, especially Chuquicamata Division, and not including the Andina Division and Gabriela Mistral where ore grade and production have increased.

The table below shows the production of copper from CODELCO's mines, as compared to private sector production in Chile, for the three-year period ended December 31, 2011 and the three-month period ended March 31, 2012:

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

|                                                   | Year ended December 31, |              |              | Three months ended March 31, |
|---------------------------------------------------|-------------------------|--------------|--------------|------------------------------|
|                                                   | 2009                    | 2010         | 2011         | 2012                         |
| CODELCO Norte Division <sup>(1)</sup> .....       | 875                     | 904          | —            | —                            |
| Chuquicamata Division .....                       | —                       | —            | 443          | 60                           |
| Radomiro Tomic Division .....                     | —                       | —            | 470          | 106                          |
| El Teniente Division .....                        | 404                     | 404          | 400          | 96                           |
| Andina Division .....                             | 210                     | 188          | 234          | 62                           |
| Salvador Division .....                           | 65                      | 76           | 69           | 13                           |
| Gabriela Mistral .....                            | 148                     | 117          | 118          | 35                           |
| El Abra <sup>(2)</sup> .....                      | 80                      | 71           | 61           | 18                           |
| <b>CODELCO Total Production .....</b>             | <b>1,782</b>            | <b>1,760</b> | <b>1,796</b> | <b>391</b>                   |
| <b>Chilean Private Sector<sup>(3)</sup> .....</b> | <b>3,612</b>            | <b>3,659</b> | <b>3,467</b> | <b>886</b>                   |
| <b>Total Chilean Production .....</b>             | <b>5,394</b>            | <b>5,419</b> | <b>5,263</b> | <b>1,276</b>                 |

(1) In December 2010, CODELCO divided the CODELCO Norte Division into the 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 three-year period ended December 31, 2011 and the three-month period ended March 31, 2012:

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

|                          | Year ended December 31, |              |              | Three months ended March 31, |
|--------------------------|-------------------------|--------------|--------------|------------------------------|
|                          | 2009                    | 2010         | 2011         | 2012                         |
| Cathodes .....           | 1,040                   | 1,033        | 853          | 169                          |
| Fired Refined .....      | 88                      | 100          | 69           | 0                            |
| Blister and anodes ..... | 305                     | 294          | 275          | 90                           |
| Concentrates .....       | 269                     | 262          | 538          | 113                          |
| <b>Total .....</b>       | <b>1,702</b>            | <b>1,689</b> | <b>1,735</b> | <b>373</b>                   |

The following table sets forth CODELCO's capital expenditures budget for the period 2012-2016 by division, and for the executive offices, as approved by the Company's Board of Directors as part of the Company's BDP, which is subject to the approval of the Ministries of Mining and Finance (capital expenditures are subject to change at the discretion of the Company):

**Projected Capital Expenditures by Division and Gabriela Mistral Mine 2012-2016**

| <b>Division</b>           | <b>Investment<sup>(1)</sup></b> |
|---------------------------|---------------------------------|
|                           | <b>(in millions of U.S.\$)</b>  |
| Chuquicamata .....        | \$ 5,195                        |
| Radomiro Tomic .....      | 5,648                           |
| El Teniente .....         | 5,680                           |
| Andina .....              | 4,544                           |
| Salvador .....            | 2,080                           |
| Ventanas .....            | 363                             |
| Mina Ministro Hales ..... | 2,491                           |
| Gabriela Mistral .....    | 256                             |
| Executive Offices .....   | 609                             |
| Subsidiaries .....        | 529                             |
| <b>Total .....</b>        | <b>\$ 27,395</b>                |

(1) Includes equipment replacement and facilities repair, deferred expenses, contributions to subsidiaries and other.

The following table sets forth CODELCO's principal expansion and development projects in each division and the Gabriela Mistral Mine (projects are subject to change at the discretion of the Company):

| <b>Division</b>         | <b>Project</b>                           | <b>Status</b>            | <b>Estimated Investment</b>    |
|-------------------------|------------------------------------------|--------------------------|--------------------------------|
|                         |                                          |                          | <b>(in millions of U.S.\$)</b> |
| Chuquicamata            | Chuquicamata Underground (2013-2018)     | Feasibility              | \$ 3,735                       |
| Radomiro Tomic          | Sulfides Phase II (2013-2016)            | Feasibility              | 4,482                          |
| El Teniente             | New mining level (2011-2017)             | Execution <sup>(1)</sup> | 3,095                          |
| Andina                  | Expansion Phase II (2013-2020)           | Feasibility              | 6,441                          |
| Salvador                | San Antonio (2013-2015)                  | Feasibility              | 962                            |
| Mina Ministro Hales     | Mina Ministro Hales ore body (2010-2013) | Execution <sup>(1)</sup> | 2,514                          |
| <b>Total Investment</b> |                                          |                          | <b>\$ 21,229</b>               |

(1) Expenditures have been invested in projects in the execution stage.

***Chuquicamata Division***

*Chuquicamata—Mining Operations.* Chuquicamata is CODELCO's largest division and the Chuquicamata mine is one of the largest copper producing mines in the world. 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. 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 one kilometer deep.

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.



In December 2007, CODELCO completed the Calama Integration Project, a major initiative undertaken 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. CODELCO undertook the project to make more space available near the mine site for depositing the large piles of the mine's tailings and to move inhabitants away from mining activities near the growing project area. CODELCO invested U.S.\$317 million in the implementation of this project, which included the construction and financing of houses and apartments for mine employees and commercial centers in Calama. The site of the town of Chuquicamata is now being used as a new site for the deposit of waste rock and for SX-EW treatment dams.

*Chuquicamata—Smelting Operations.* Chuquicamata utilizes one Outokumpu flash furnace, five Pierce Smith converters and two Teniente converters to process 1.49 million metric tons of 30.95% copper concentrate per year. Chuquicamata performs all stages of copper production from the mining process through cathode production.

As of March 31, 2012, the Chuquicamata Division employed 6,572 persons and produced 60,046 metric tons of copper at a cash cost of 118.9 cents per pound and a total cash cost of U.S.\$156 million, as compared to a cash cost of 87.0 cents per pound and a total cash cost of U.S.\$192 million for the first three months of 2011.

### ***Radomiro Tomic Division***

*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. The Radomiro Tomic mine is a state of the art facility, and the world's largest producer of copper using the highly efficient SX-EW process.

During the first half of 2010, the Sulfide Phase I project was completed, which enables the treatment of 100,000 metric tons per day of sulfides from Radomiro Tomic in the Chuquicamata processing plants.

As of March 31, 2012, the Radomiro Tomic Division employed 1,016 persons and produced 106,432 metric tons of copper at a cash cost of 109.6 cents per pound and a total cash cost of U.S.\$255 million, as compared to a cash cost of 93.7 cents per pound and a total cash cost of U.S.\$249 million for the first three months of 2011.

### **Copper Production and Cash Cost — CODELCO Norte Division (Chuquicamata and Radomiro Tomic)<sup>(1)</sup> (production in thousands of metric tons and cash cost in cents per pound)**

|                                        | Year ended December 31, |       |       | Three months ended March 31, |
|----------------------------------------|-------------------------|-------|-------|------------------------------|
|                                        | 2009                    | 2010  | 2011  | 2012                         |
| Copper Production CODELCO Norte .....  | 875                     | 904   | —     | —                            |
| Copper Production Chuquicamata .....   | —                       | —     | 443   | 60                           |
| Copper Production Radomiro Tomic ..... | —                       | —     | 470   | 106                          |
| Cash Cost CODELCO Norte .....          | 93.2                    | 102.5 | —     | —                            |
| Cash Cost Chuquicamata .....           | —                       | —     | 110.8 | 118.9                        |
| Cash Cost Radomiro Tomic .....         | —                       | —     | 100.3 | 109.6                        |

(1) In December 2010, CODELCO divided the CODELCO Norte Division into the Chuquicamata and Radomiro Tomic Divisions.

### ***El Teniente Division***

*Mining Operations.* The El Teniente Division is the second largest division of CODELCO and operates El Teniente underground mine located 80 kilometers southeast of Santiago. With production of 400,294 metric tons in 2011, 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, with a production of approximately 130,000 metric tons of ore per day. The Esmeralda area of the mine, which was opened in late 1998, is the main producing mine area, producing approximately 30,000 metric tons of ore per day. As of March 31, 2012, the El Teniente Division employed 4,942 persons and produced 96,463 metric tons of copper at a cash cost of 95.2 cents per pound and a total cash cost of U.S.\$201 million, as compared to a cash cost of 77.5 cents per pound and a total cash cost of U.S.\$165 million for the first three months of 2011.

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

|                         | Year ended December 31, |      |      | Three months ended March 31, |
|-------------------------|-------------------------|------|------|------------------------------|
|                         | 2009                    | 2010 | 2011 | 2012                         |
| Copper Production ..... | 404                     | 404  | 400  | 96                           |
| Cash Cost .....         | 83.3                    | 85.8 | 92.4 | 95.2                         |

*Smelting Operations.* The El Teniente Division includes the Caletones smelter, with capacity to smelt 1.25 million metric tons of concentrate per year. El Teniente mine supplies 1.25 million metric tons of concentrate per year to the Caletones smelter. The balance of concentrate processed by the smelter is brought by railway 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 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. The Andina Division does not operate a smelter. Its production is processed at the Caletones smelter of El Teniente, at the Ventanas refinery or at the Salvador Division, and some of its concentrate is sold to ENAMI or other purchasers. In 2011, the Andina Division produced 234,348 metric tons of copper. As of March 31, 2012, the Andina Division employed 1,573 persons and produced 62,057 metric tons of copper at a cash cost of 137.7 cents per pound and a total cash cost of U.S.\$182 million, as compared to a cash cost of 112.4 cents per pound and a total cash cost of U.S.\$134 million for the first three months of 2011.

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 the Andina Division; Anglo Sur owns and operates the mines at Los Bronces and El Soldado along with the Chagres Smelter and various mineral resources, including Los Sulfatos and San Enrique Monolito, located in the southwest portion of the deposit. The deposit is characterized by plentiful tourmaline and breccia rock bodies mineralized with copper sulfides, mostly chalcopyrite. CODELCO's portion of the deposit is four kilometers in length, in the northwest to southeast direction, with a maximum width of almost one kilometer.

On December 19, 2008, CODELCO purchased from ENAMI for U.S.\$175 million an option to purchase up to 49% of the equity of Anglo Sur, a wholly-owned subsidiary of Anglo American, for a price which is determined by a prescribed formula based on a multiple of historic earnings. Under the terms of the option agreement, CODELCO is required to acquire, in addition to the shares of Anglo Sur, a percentage of the intercompany debt, amounting to approximately U.S.\$1,533 million, between Anglo American and Anglo Sur equal to the percentage of the equity CODELCO acquires, or approximately U.S.\$751 million provided an acquisition of 49% of the equity of Anglo Sur. Anglo Sur owns and operates the mines at Los Bronces and El Soldado along with

the Chagres Smelter and various mineral resources, including Los Sulfatos and San Enrique Monolito, located in the southwest portion of the Rio Blanco-Los Bronces porphyry-type deposit in central Chile. Anglo Sur's reported consolidated profit was U.S.\$797.9 million for the year ended December 31, 2011 and U.S.\$900.3 million for the year ended December 31, 2010. Anglo Sur reported that in 2011, Los Bronces mine produced over 221,000 tons of fine copper, El Soldado mine produced more than 46,000 tons of fine copper and the Chagres Smelter produced approximately 138,200 tons of fine copper. Pursuant to the option, CODELCO has the right to exercise the option only during the month of January in every third year, beginning in 2009 through 2027.

On July 29, 2011, Anglo American informed CODELCO that a 49% stake in Anglo Sur was available and provided an estimated strike price for the option. Subsequently, Anglo American offered to purchase CODELCO's right to buy 49% of Anglo Sur, but the parties did not reach an agreement. In October 2011, CODELCO announced its decision to exercise its call option to purchase a 49% stake in Anglo Sur in January 2012. On November 9, 2011, Anglo American announced the sale of a 24.5% interest in Anglo Sur to Mitsubishi Corp., stating that such action reduced to 24.5% the amount of equity in Anglo Sur available to CODELCO under the option. On November 14, 2011, CODELCO requested a preliminary injunction from the Santiago Court of Appeals to block any further sales of Anglo Sur shares by Anglo American prior to the exercise window for the call option, which was granted by the court.

On January 2, 2012, CODELCO exercised its call option to purchase a 49% stake in Anglo Sur. Previously, on December 22, 2011, Anglo American and affiliates filed a legal complaint against CODELCO before the 14th Civil Court of Santiago, asserting that CODELCO had breached certain of its obligations under the option agreement and seeking rescission, as well as damages. On January 10, 2012, CODELCO filed a counterclaim against Anglo American and affiliates based on the non-performance of the obligations under the option rights of CODELCO, and seeking to enforce its right to exercise the call option for 49%. On January 13, 2012, CODELCO obtained an injunction that prevents Anglo American from selling any of the 49% option shares while the judicial proceedings are in place. As publicly disclosed, on May 22, 2012, the judicial proceedings were suspended for a period of 30 days until June 22, 2012, and then for a second period ending July 17, 2012, during which CODELCO and Anglo American have agreed to pursue discussions aimed at reaching a possible settlement of all such claims. There can be no assurance that the parties will reach a settlement related to these claims.

CODELCO entered into an agreement with Mitsui & Co. Ltd ("Mitsui") on October 12, 2011, pursuant to which Mitsui made available to CODELCO's wholly-owned investment subsidiary, Inversiones Mineras Acrux SpA ("Acrux"), a short-term bridge financing facility of up to U.S.\$5.8 billion, guaranteed by CODELCO and subsidiaries of Acrux, as a possible means to fund the exercise of the call option. CODELCO also entered into a separate agreement with Mitsui that provides CODELCO with the option to repay a portion of the bridge loan from Mitsui through a put option for an indirect 50% stake in the Anglo Sur interest acquired, assuming a pre-determined value for the 49% interest in Anglo Sur of approximately U.S.\$9.76 billion. The balance of the bridge loan would convert into a non-recourse five-year term loan between Acrux and Mitsui, which will not be guaranteed by CODELCO, and will be repayable only from cash distributions on the Anglo Sur shares held by Acrux. In addition, CODELCO and Mitsui entered into a 10-year sale and purchase agreement for the equivalent of 30,000 tons of fine copper per year subject to market-based pricing terms.

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

|                   | Year ended December 31, |       |       | Three months ended March 31, |
|-------------------|-------------------------|-------|-------|------------------------------|
|                   | 2009                    | 2010  | 2011  | 2012                         |
| Copper Production | 210                     | 188   | 234   | 62                           |
| Cash Cost         | 84.9                    | 108.5 | 127.9 | 137.7                        |

With the aim to increase the processing output of the Andina Division, CODELCO completed the Andina Phase I Expansion Project in 2010 and plans to continue with the Andina Phase II to expand the mine and increase copper production by an expected average of an additional 350,000 tons of copper per year, up to an expected total average of approximately 600,000 tons of copper per year starting in 2020.

### **Salvador Division**

*Mining Operations.* Salvador is the smallest of the CODELCO divisions. In 2011, it produced 69,044 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. 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 March 31, 2012, Salvador employed 1,461 persons and produced 12,932 metric tons of fine copper at a cash cost of 228.8 cents per pound and a total cash cost of U.S.\$65 million, as compared to a cash cost of 149.5 cents per pound and a total cash cost of U.S.\$59 million for the first three months of 2011.

CODELCO's Board of Directors has decided to phase out mining operations at the Salvador mine by 2016, or by 2021 if warranted by market and operational conditions. The Potrerillos smelter and refinery will continue to operate upon any cessation of the mining operations at Salvador.

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

|                        | Year ended December 31, |       |       | Three months ended March 31, |
|------------------------|-------------------------|-------|-------|------------------------------|
|                        | 2009                    | 2010  | 2011  | 2012                         |
| Copper Production..... | 65                      | 76    | 69    | 13                           |
| Cash Cost.....         | 136.7                   | 149.3 | 175.2 | 228.8                        |

*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. CODELCO increased capacity of the Potrerillos smelter in May 2004, and is currently conducting conceptual engineering for a proposed expansion of capacity of the Potrerillos refinery.

### **Ventanas Division**

*Smelting and Refinery Operations.* The Ventanas Division was created in connection with the acquisition of the Ventanas smelter and refinery from the Chilean state-owned mining company ENAMI in May 2005. The Ventanas smelter has a capacity of over 400,000 metric tons of concentrate. Ventanas refined 401,509 metric tons of copper in 2011. Pursuant to the terms of the acquisition, CODELCO is required to provide on market terms the necessary smelting and refining capacity for the treatment of products for the small- and medium-sized mining industry that ENAMI serves.

### **Mina Ministro Hales Division**

*Mining Operations.* The Mina Ministro Hales Division was created in September 2010 for the operation of the Mina Ministro Hales ore body, which is currently under construction, and is expected to begin operations starting at the end of 2013. The Mina Ministro Hales ore body is located near Calama in the Antofagasta region and is expected to produce an average of 170,000 tons of copper per year and 287 tons of silver per year when in full operation in 2014 and is expected to be exploited at a rate of 375,000 tons of rock per day.

*Smelting and Refinery Operations.* The processing of minerals will be carried out in a stand-alone concentrator with processing capacity of 50,000 tons per day. Copper concentrates will be processed in a new roasting plant. The project also includes a new acid plant.

### *Associations, Joint Ventures and Partnerships*

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

- *Copper Partners Investment Company Ltd.:* In March 2006, CODELCO and China Minmetals Non-Ferrous Metals Co. Ltd., a Chinese state-owned metals company, created a joint venture company equally owned by both companies. Under a 15-year sales contract covering a total of 836,250 metric tons of copper, CODELCO sells cathodes to Copper Partners Investment Company Ltd. The joint venture made an initial up-front payment of U.S.\$550 million to CODELCO in March 2006 and will pay a price balance on shipments during the term of the contract. In turn, the joint venture sells the cathodes to Minmetals at market prices. Shipments under the contract commenced in June 2006. CODELCO also granted Minmetals an option to acquire, at market price, a minority interest in a company that will be formed to exploit the Gabriela Mistral mineral deposit. In September 2008, CODELCO and Minmetals suspended the option indefinitely. The option may be revived upon the agreement of both parties. CODELCO and Minmetals also have agreed to identify joint opportunities in the future.
- *SCM El Abra:* In 1994, CODELCO (49%) formed a company with Cyprus El Abra Corporation (51%), a subsidiary of Freeport McMoRan, Sociedad Contractual Minera (SCM) El Abra to develop the El Abra mine in northern Chile. The mine is a porphyry copper 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 per year and includes one of the world's largest SX-EW facilities. The El Abra project was originally financed by a U.S.\$850 million syndicated loan, which was repaid in full in November 2004.
  - In October 2009, SCM El Abra approved resuming construction activities for the Sulfolix Project, which had been deferred as a result of market conditions at the end of 2008, to extract and process (by the leaching process) sulfide ores, which is expected to extend mine life by 13 years and enable El Abra to produce at least 125,000 metric tons of fine copper per year. This project contains approximately 1,200 million metric tons of leachable oxide and sulfide copper, with an average ore grade of 0.43%. The project started producing sulfides, shifting from an oxide operation, during the first quarter of 2011 and includes milling mine ores until 2024, and is expected to generate the last cathode in 2029 by leaching heap remains. The Sulfolix Project requires approximately U.S.\$565 million of initial equity and an additional U.S.\$160 million to sustain the operations. The project is financed by SCM EL Abra's retained earnings.
  - In 2011, SCM El Abra produced 124,332 metric tons of fine copper at a cash cost of 215 cents per pound. For the three months ended March 31, 2012, the production was 37,132 metric tons of fine copper with a cash cost of 196 cents per pound.
  - As of March 31, 2012, the project had delivered total dividends of U.S. \$2,530 million and CODELCO had received U.S.\$1,239.7 million in dividends. As of March 31, 2012, CODELCO's equity participation in SCM El Abra totaled U.S.\$729.5 million.
- *SCM Purén:* CODELCO (35%) and Compañía Mantos de Oro (65%), a subsidiary of Kinross Gold Corp., own SCM Purén. SCM Purén's mining activities, located in the Atacama Region, east of the city of Copiapó, began in November 2005, having produced over 800,188 ounces of equivalent gold and delivered U.S.\$275 million in dividends to date, of which U.S.\$96.25 million corresponds to CODELCO. SCM Purén mines two gold and silver ore bodies through open pits. Currently, SCM Purén is evaluating a second phase of the project, which is expected to produce 295,419 ounces of equivalent gold over a four-year period.
- *Agua de la Falda S.A.:* CODELCO (43%) and Minera Meridian Limitada (57%), a subsidiary of Yamaha Gold Inc., own Agua de la Falda S.A., which was created to explore and exploit the Agua de la Falda deposit, which was in production until 2005. As of the date of this offering memorandum, the company is completing a feasibility study of the Jerónimo gold deposit, which contains over 2 million ounces of gold as indicated and inferred resources.

- *Inca de Oro S.A.:* CODELCO (34%) and PanAust Minera Limited (66%) own Inca de Oro S.A., which was created in 2009 to explore, exploit and process mineral resources in Chile and abroad. Inca de Oro S.A. is expected to produce 45,000 tons of fine copper over a ten-year period from its porphyry copper deposit located in northern Chile.
- *Deutsche Giessdraht GmbH:* CODELCO (40%) and Nordeutsche Affinerie Group (60%) own Deutsche Giessdraht GmbH, a German corporation located in Emmerich, Germany. The company, which has been in existence since 1975, produces continuous copper cast wire rod. CODELCO indirectly supplies copper to Deutsche Giessradht GmbH.

*Exploration Partnerships and Agreements:* In recent years, as various companies have formally expressed their interest in undertaking joint exploration efforts with CODELCO, the Company has executed numerous exploration agreements with strategic partners, some of them leading to the creation of mining companies, such as SCM Purén mentioned above, and Minera Pecobre S.A. de C.V., with Mexican mining company Minas Peñoles, S.A. de C.V. (51%). On December 29, 2008, CODELCO sold its 49% interest in Pecobre to its affiliate, Industrias Peñoles S.A. de C.V. for U.S.\$5 million. CODELCO also sold to the public, for proceeds totaling U.S.\$1.051 billion, all of its direct and indirect interest (40%) in E-CL S.A. (formerly Edelnor S.A.), which is a power generating company operating in the north of the Republic of Chile. The estimated book value of CODELCO's investment was U.S.\$672 million, and CODELCO was permitted to retain the difference (less expenses).

- *GNL Mejillones S.A.:* Due to the decrease and eventual termination of natural gas supply from Argentina, electrical power generation companies have experienced diminished electricity generation. For this reason, CODELCO and Suez Energy Andino S.A. through GNL Mejillones S.A. constructed a liquefied natural gas ("LNG") re-gasification plant, which has been operating since the beginning of 2010. GNL Mejillones has the capacity to receive, process and store natural gas, with a send-out capacity of 5.5 million of cubic meters of gas per day, originating in Trinidad and Tobago and purchased from SUEZ Global LNG Ltd. under a long-term supply contract. As of the date of this offering memorandum, a LNG storage tank is under construction and is expected to be completed at the end of 2013.
  - GNL Mejillones provides gas required by the electricity power plant in the *Sistema Interconectado del Norte Grande*, known as the SING, which supplies power to CODELCO's operations. The project partners have financed this project under existing take-or-pay contracts with CODELCO and other mining companies, and are expected to sell a minimum of 27 Tera BTU (British Thermal Unit) per year in the period 2011-2012.
  - As of March 31, 2012, CODELCO owned 37% of the outstanding shares of the company, and Suez Energy Andino S.A. owned the remaining 63% of the shares.

*Technology and Research and Development Partnerships and Associations:* CODELCO has entered into associations with companies and organizations that are world leaders in research and development to increase the integration of knowledge and innovation into mining processes.

- *BioSigma S.A.:* CODELCO (66.67%) established BioSigma S.A. in 2002 with the Japanese company JX-Nippon Mining and Metals Company (33.33%). BioSigma S.A. develops processes and technology in the fields of genomics, proteomics and bioinformatics to enhance the value of biotechnology for mining. BioSigma plays a leading role in CODELCO's efforts to develop bioleaching technologies based on the application of key micro organism-based systems and biomass technologies to improve the leaching process of low-grade primary copper sulfide ores. In 2011, a full industrial test of BioSigma's technologies was undertaken and applied to mining resources in the Radomiro Tomic Division through the construction of the first industrial biomass plant of its kind in the world. It is expected that the testing period will be concluded by the end of 2012. In addition, BioSigma and CODELCO are conducting pilot engineering studies to apply the bioleaching technologies in the Chuquicamata, Mina Ministro Hales, Salvador, Andina and Teniente Divisions. BioSigma S.A. has begun to explore the application of its technologies to third-party projects for commercial purposes.

- *MI Robotic Solutions S.A.:* In April 2007, CODELCO formed MI Robotic Solution S.A. among itself (36%), Nippon Mining and Metals Co. Ltd. (9%), Kuka Roboter GmbH (2%) and Industrial Support Company Limitada (53%), whose purpose is to research and develop robotics products and technologies to be used in the mining industry and metallurgic and related services.
- *Mining Information Communications and Monitoring S.A.:* In April 2006, CODELCO and the Japanese technology company NTT created Mining Information Communications and Monitoring S.A. (“MiCoMo”), owned 66% by CODELCO and 34% by NTT. MiCoMo seeks to design, supply, install, maintain, adapt and incorporate communication and information technologies developed by NTT to the requirements of CODELCO’s mining processes to make them more efficient and safer.
- *Kairos Mining S.A.:* Kairos Mining S.A. is a company created in December 2006 in association with Honeywell Chile S.A., which owns 60%, and CODELCO, which owns 40%. Kairos Mining S.A.’s purpose is to provide services for the automation and control of industrial and mining activities, and to supply related technology and software licenses.
- *Ecosea Farming S.A.:* CODELCO is a partner in Ecosea Farming S.A. (“Ecosea”) a technology consortium financed by the Chilean Commission of Scientific Investigation and Technology (CONICYT) with the International Copper Association, Sitecna, Universidad de Concepción, Pontificia Universidad Católica de Valparaíso and Fundación Chile. The main objective of the consortium is the development of growth systems through the use of copper nets for protected and exposed environments. Ecosea’s nets are used in the salmon industry to slow the growth of pathogens and inhibit the attachment of other materials. Ecosea currently has 70 copper alloy mesh cage systems in the water and has contracts in place with important fish farmers.
- *CoMoTech S.A.:* CODELCO is a partner in CoMoTech S.A., through its affiliate INCuBA S.A., with Molibdeno y Metales S.A. (MOLYMET) and Universidad de Chile, each of which holds a one-third interest. CoMoTech was created for research and development to increase molybdenum demand through new and enhanced applications.
- *Copper for Energy S.A. (C4E):* CODELCO, through its wholly- owned subsidiary Inversiones Copperfield, with Universidad de Chile, ICA and Fundación Chile, created C4E in 2010. The purpose of C4E is to develop renewable energy products that use copper. There are two products currently being developed by C4E: C4Water, which is a water purifier that uses solar energy, and C4Heat, which is a protector of copper from heat and corrosive gases in aggressive environments, such as combustion chambers. As of March 31, 2012, C4E was equally owned by the four participants.

The following table sets forth the major mining and exploration agreements to which CODELCO is a party, as of March 31, 2012:

**Major Mining and Exploration Agreements  
(As of March 31, 2012)**

| <b>Mining Co-participation</b>        | <b>Partner</b>                                       | <b>Type</b>     |
|---------------------------------------|------------------------------------------------------|-----------------|
| SCM El Abra <sup>(1)</sup>            | Cyprus El Abra Corporation (USA)                     | Copper          |
| Agua de la Falda S.A.                 | Meridian Gold Inc. (USA)                             | Gold            |
| SCM Purén                             | Compañía Mantos de Oro (Chile)                       | Gold/Silver     |
| Inca de Oro S.A.                      | PanAust Minera Limited (Australia)                   | Copper          |
| <b>Exploration Agreement Projects</b> |                                                      |                 |
| Chile                                 |                                                      |                 |
| Pasaca                                | Rio Tinto (England)                                  | Copper          |
| Anillo                                | Fortune Valley Resources (Chile)                     | Gold            |
| Puntilla Galenosa                     | Pucobre (Chile)                                      | Copper          |
| Los Lobos                             | Hot Chili (Australia)                                | Uranium, Copper |
| Sierra Jardín                         | Antofagasta Minerals S.A. (England)                  | Copper          |
| Desierto                              | MMX (Grupo Batista)                                  | Copper/Iron     |
| Cumbres                               | Antofagasta Minerals S.A. (England)                  | Copper          |
| <b>Abroad</b>                         |                                                      |                 |
| Curianopolis/Liberdade                | Pan Brazilian (Brazil)                               | Copper/Iron     |
| El Palmar                             | Private (Ecuador)                                    | Copper          |
| Grupo Propiedades                     | Ministerio de Minas y Petróleo del Ecuador (Ecuador) | Copper          |

(1) A subsidiary of Freeport McMoRan.

## Resources and Reserves

As is standard in the industry, CODELCO divides its mineral holdings into three categories – geological resources, mineral resources and ore reserves. The system described below for categorizing mineral ore is widely used within the mining industry and codified in such international regulations as the Joint One 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, such as the system used by the U.S. Geological Survey.

## Geological Resources

*Geological resources* are concentrations or occurrences of materials in such form, quantity (tonnage and ore grade) and quality, based on specific geological evidence and knowledge, which allows for the calculation of the amount, ore grade and quality of the material with some level of confidence. *Geological resources* are identified and evaluated through exploration, reconnaissance and sampling. They 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. *Geological resources* are further categorized as *measured*, *indicated* and *inferred*.

A resource is considered to be *measured* if CODELCO's knowledge of the resource is extensive and direct; if CODELCO's knowledge of the resource is substantial but less extensive, it is considered to be *indicated*; and if CODELCO's knowledge of the resource is only indirect, it is considered to be *inferred*.

## Mineral Resources

Once CODELCO has achieved increased knowledge about its *geological resources*, it is able to generate a long-term mining plan for the exploitation of such resources, which are then considered to be *mineral resources*. Like geological resources, mineral resources are sub-categorized as *measured*, *indicated* and *inferred*.

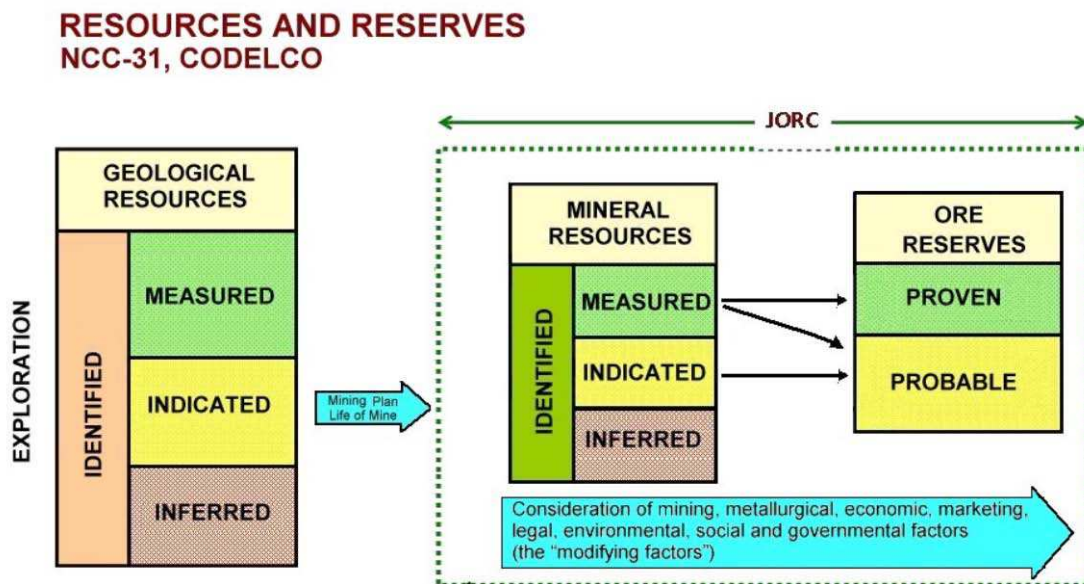


## Ore Reserves

*Ore reserves* are defined as the economically mineable part of a *mineral resource*. They include diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, which take into account rationally assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments address at the time of reporting whether extraction is justified. *Ore reserves* are sub-divided in order of increasing confidence from *probable ore reserves* to *proved ore reserves*. Ore reserves are a subset of *mineral resources* in the same way as *mineral resources* are a subset of *geological 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 proven and probable reserves include 60.5 million metric fine tons of copper, an amount that represents at least 30 years of future production at current levels. CODELCO's mineral resources include 133 million metric fine tons of copper, and its identified geological resources include 333 million fine metric tons of copper, for a cut-off grade of 0.2% copper.



The following table sets forth the amount and grade of CODELCO's copper holdings by division and the Gabriela Mistral Mine according to the methodology described above, as of December 31, 2011:

|                                             | Identified Geological Resources <sup>(1)</sup> |              |                            | Identified Mineral Resources <sup>(2)</sup> |              |                            | Ore Reserves       |              |                            |
|---------------------------------------------|------------------------------------------------|--------------|----------------------------|---------------------------------------------|--------------|----------------------------|--------------------|--------------|----------------------------|
|                                             | Ore <sup>(3)</sup>                             | Grade copper | Fine copper <sup>(3)</sup> | Ore <sup>(3)</sup>                          | Grade copper | Fine copper <sup>(3)</sup> | Ore <sup>(3)</sup> | Grade copper | Fine copper <sup>(3)</sup> |
| Radomiro Tomic.....                         | 8,595                                          | 0.36%        | 31.2                       | 3,690                                       | 0.45%        | 16.5                       | 2,029              | 0.49%        | 10.0                       |
| Chuquicamata .....                          | 13,185                                         | 0.48%        | 63.4                       | 2,493                                       | 0.65%        | 16.3                       | 883                | 0.83%        | 7.4                        |
| Mina Ministro                               |                                                |              |                            |                                             |              |                            |                    |              |                            |
| Hales .....                                 | 1,387                                          | 0.92%        | 12.8                       | 983                                         | 0.81%        | 8.0                        | 285                | 0.94%        | 2.7                        |
| Salvador .....                              | 2,962                                          | 0.47%        | 13.8                       | 1,731                                       | 0.49%        | 8.4                        | 853                | 0.51%        | 4.3                        |
| Andina .....                                | 19,034                                         | 0.60%        | 113.7                      | 6,334                                       | 0.74%        | 46.6                       | 2,605              | 0.75%        | 19.5                       |
| El Teniente.....                            | 16,649                                         | 0.56%        | 92.6                       | 4,152                                       | 0.84%        | 34.7                       | 1,459              | 1.00%        | 14.6                       |
| Gabriela Mistral .....                      | 1,145                                          | 0.35%        | 4.0                        | 550                                         | 0.37%        | 2.0                        | 542                | 0.37%        | 2.0                        |
| Exploration/Business and Subsidiaries ..... | 558                                            | 0.25%        | 1.4                        | —                                           | —            | —                          | —                  | —            | —                          |
| <b>Total .....</b>                          | <b>63,515</b>                                  | <b>0.52%</b> | <b>333.0</b>               | <b>19,934</b>                               | <b>0.67%</b> | <b>132.6</b>               | <b>8,656</b>       | <b>0.70%</b> | <b>60.5</b>                |

(1) Geological resources cut-off grade 0.2% copper

(2) Mineral resources with variable cut-off grade

(3) In millions of metric tons

The following table sets forth the copper holdings of the world and of CODELCO using the U.S. Geological Survey system as of December 31, 2011:

|                                   | World<br>(in millions of tons) | CODELCO<br>(in millions of tons) | CODELCO's<br>share (%) |
|-----------------------------------|--------------------------------|----------------------------------|------------------------|
| Geological Resources .....        | 3,000 <sup>(1)</sup>           | 333.0                            | 11                     |
| Proven and Probable Reserves..... | 690 <sup>(1)</sup>             | 60.5                             | 9                      |

(1) As defined by the U.S. Geological Survey (January 2012).

Each year, the Board of Directors must approve a long-term BDP of the Company. The first three years are subject to the approval of the Ministries of Finance and Mining. This plan must include the annual investment and financing amounts in addition to the annual profits that the Company is estimated to generate during the period. The Ministries of Finance and Mining jointly issue a decree, pursuant to which a portion of CODELCO's net income may be allocated by CODELCO to the creation of capitalization and reserve funds.

The 2012 BDP enables CODELCO to develop a long-term mining plan. CODELCO reviews the terms of the BDP annually to update or modify it for changes in business trends.

The 2012 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 the inferred resources become proven and probable reserves.

In the early stages of the 2012 BDP, production is almost exclusively based on proven and probable reserves and mining projects are at advanced stages of engineering or at the investment stage. Mining projects must support their economic evaluation based on pre-defined minimum proven and probable reserves in order to be approved for investment.

## Resource Development

CODELCO holds an estimated 9% of the world's proven and probable copper reserves. 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. Development and replacement of reserves is a major aspect of CODELCO's development strategy.

CODELCO's main exploration projects can be summarized, in order of economic importance, with information of total resources (measured, indicated and inferred resources), as set forth below. The majority of the resources described for each of these projects are inferred, based on advanced exploration studies.

- *Mocha*: Mocha is located approximately 90 kilometers to the northeast of Iquique. CODELCO estimates that this deposit contains total resources of 1,738 million metric tons of ore with an average grade of 0.35% copper, for a cut-off grade of 0.2% copper.
- *Sierra Overa*: Sierra Overa is an advanced exploration project, where drilling has been completed for the Casualidad deposit. CODELCO estimates that this deposit contains total resources of 595 million metric tons of ore with an average grade of 0.38% copper, for a cut-off grade of 0.2% copper.
- *Virgo*: Virgo is located five kilometers from the Casualidad deposit. CODELCO estimates that this deposit contains total resources of 100 million metric tons of copper ore in two ore bodies.
- *Ecuador's Ministry of Mines and Petroleum*: CODELCO entered into an agreement with Ecuador's Ministry of Mines and Petroleum to begin preliminary exploration work in zones with potential mining resources. The agreement permits CODELCO to perform exploration activities in more than ten locations in Ecuador, and a new company is expected to be created between CODELCO and the Ecuador state-owned company Enami EP.

There are also a number of other locations within each division that are presently being studied and that will be reported when they reach more advanced stages of development. These locations provide CODELCO with exploration potential near deposits with which it is familiar.

### **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 2011, CODELCO's annual production of copper was 1.74 million metric tons, or 1.80 million metric tons including El Abra. CODELCO continues to focus on controlling and limiting production cost increases. In 2011, CODELCO's total costs and expenses were 205.6 cents per pound, compared to 197.6 cents per pound in 2010 and 157.8 cents per pound in 2009. The increase in 2011 as compared to 2010 was mainly driven by the increase in prices of most significant inputs and consumables used in the production process, the appreciation of the Chilean peso against the U.S. dollar and higher third-party and other services expenses. The increase in 2010 as compared to 2009 was mainly driven by the costs of early retirement plans, workforce reduction programs and the terms of various new collective bargaining agreements entered into during 2010. For the first three months of 2012, CODELCO's total costs and expenses were 219.2 cents per pound, compared to 173.1 cents per pound in the same period in 2011. This increase is primarily attributable to lower ore grade, a significant increase in prices of most significant inputs and consumables used in the production process and the appreciation of the Chilean peso in the first quarter of 2012 against the U.S. dollar. In 2011, CODELCO's total costs and expenses were U.S.\$7,866 million. For the first three months of 2012, CODELCO's total costs and expenses were U.S.\$1,800 million, compared to U.S.\$1,581 million for the same period in 2011.

In 2011, CODELCO's cash cost of production was 116.4 cents per pound, as compared with 104.4 cents per pound in 2010 and 92.9 cents per pound in 2009. During the period of 2009 to 2010, CODELCO's cash cost increased primarily due to the appreciation of the Chilean peso against the U.S. dollar and the effect of the rate of inflation in Chile, partially offset by an increase in the price of molybdenum. In 2011 CODELCO's cash cost continued increasing primarily due to the appreciation of the Chilean peso against the U.S. dollar, the effect of the rate of inflation in Chile and the increase in prices of significant inputs and consumables used in the production process. For the first three months of 2012, CODELCO's cash cost of production was 130.2 cents per pound,

compared to 98.2 cents per pound in the first three months of 2011. This increase is primarily attributable to lower ore grade, significant increases of prices of most significant inputs and consumables used in the production process and the appreciation of the Chilean Peso against the U.S in the first three months of 2012 compared to the closing exchange rate of 2011. In 2011, CODELCO'S total cash cost was U.S.\$4,408 million. For the first three months of 2012, CODELCO's total cash cost was U.S.\$1,058 million, as compared to U.S.\$889 million for the first three months of 2011.

The main energy sources for CODELCO's operations are electricity, liquid fuels (such as diesel, fuel oil and gasoline) and natural gas. Since 2004, there has been a restricted supply of natural gas from Argentina. CODELCO's production costs have increased due to these shortages, having to rely on electricity generated from more expensive sources, such as diesel, oil or coal, and such increased costs have adversely affected CODELCO's results.

In the past few years, the energy industry has invested in LNG re-gasification terminals in response to the natural gas shortage. CODELCO joined a consortium in the ownership of the LNG re-gasification terminal in Mejillones, in the north of Chile, in an effort to provide more stability to the electrical supply for the north of the country. See "Business and Properties—Copper Production—Associations, Joint Ventures and Partnerships—Exploration Partnerships and Agreements—GNL Mejillones S.A." Recently, CODELCO has entered into electrical and liquid fuel supply agreements to help ensure the long-term energy supply for its operations. In late 2009 and early 2010, CODELCO entered into electrical supply agreements at competitive prices for a 15-year period for its facilities in the Chuquicamata Division and for a 30-year period for facilities in the middle-south region of Chile. Both agreements include the creation of a new electrical generation capacity based on coal. In early 2010, CODELCO entered into a five-year supply contract for liquid fuels with the main Chilean fuel distributors. In August 2011, CODELCO entered into two energy and power supply agreements with Norgener S.A. for the Mina Ministro Hales Division and the Radomiro Tomic Division. Energy supply began in 2011 for Mina Ministro Hales and is expected to begin in 2016 for Radomiro Tomic, lasting until 2028 for each. These energy supply contracts are expected to meet all of the Company's power requirements. In April 2012, CODELCO renewed a contract with Pacific Hydro, involving the purchase of power generation of the Coya and Pangal hydroelectric plants, for 12 years. Since CODELCO's sale of the Coya and Pangal hydroelectric plants to Pacific Hydro in 2004, Pacific Hydro and CODELCO have entered into similar supply contracts to purchase the injected energy produced by these hydroelectric plants.

CODELCO continues to develop and refine its mine management practices and programs to limit and reduce its cost increases. These include the following: (i) improved deposit identification and mining techniques; (ii) the implementation of early retirement plans and workforce reduction programs; (iii) an investment in human capital and continuing to attract and retain a world-class management team and professionals of the highest caliber; (iv) improved utilization of equipment and inputs used in the processes of copper production to increase productivity and efficiency; and (v) an acceleration of the development of key projects, including the Mina Ministro Hales ore body, the Radomiro Sulphide Phase II Project, the new mine level at El Teniente mine, the Chuquicamata underground project and the Andina Phase II Expansion Project.

## Marketing

### General

Four of CODELCO's wholly-owned subsidiaries and 12 of its sales representatives cover 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 three years ended December 31, 2011 and the three months ended March 31, 2012:

**Copper Sales by Product Type**  
(in thousands of metric tons)

|                           | Year ended December 31, |              |              | Three months ended March 31, |
|---------------------------|-------------------------|--------------|--------------|------------------------------|
|                           | 2009                    | 2010         | 2011         | 2012                         |
| Cathodes .....            | 1,619                   | 1,599        | 1,574        | 323                          |
| Fired Refined .....       | 88                      | 100          | 75           | 0                            |
| Blisters and Anodes ..... | 127                     | 121          | 64           | 17                           |
| Concentrates .....        | 184                     | 163          | 215          | 71                           |
| <b>Total</b> .....        | <b>2,017</b>            | <b>1,982</b> | <b>1,928</b> | <b>411</b>                   |

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

- *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 the 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 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 2011, the base premium for CIF shipments (including shipping and insurance costs) to Rotterdam was set at U.S.\$98 per metric ton, as compared to the premium of U.S.\$80 per metric ton established in 2010 and in 2009. The estimated base premium for 2012 is U.S.\$90 per metric ton.

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 cathodes minus certain treatment and refining costs.

Molybdenum is sold mainly to steel producers and merchants 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.

CODELCO hedges certain future copper delivery commitments and production in order to manage the risk associated with copper price volatility. As of March 31, 2012, these hedges had a range of maturities through January 2013, covered approximately 112,500 metric tons of copper (not to exceed approximately 7.6% of anticipated annual production in any of the years covered), and had an outstanding negative exposure (mark-to-market value less than their carrying values) before taxes of U.S.\$636 million. In the first three months of 2012, CODELCO's production hedging activities had a negative impact of U.S.\$203 million on pre-tax income, with the effect of the hedges being reflected in CODELCO's sales at the time they are settled. See Note 24 to the Unaudited Interim Consolidated Financial Statements.

CODELCO also 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 "Risk Factors—Risks Relating to CODELCO's Operations—CODELCO engages in hedging activity from time to time, particularly with respect to its copper production, which may not be successful and may result in losses to CODELCO," Notes 28 to the 2011 Year-end Consolidated Financial Statements and to the Unaudited Interim Consolidated Financial Statements for further details regarding CODELCO's hedging activity.

### ***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. The value of CODELCO's sales of copper in U.S. dollars in 2011 was geographically diversified, with approximately 58% of sales made to Asia, including 36% to China, 21% to Europe, 21% to North America and South America, and the remainder to Oceania. CODELCO's top ten customers purchased approximately 28.1% of its total copper sales volume in 2011.

The following table shows CODELCO's copper sales for the three years ended December 31, 2011 to CODELCO's top export markets and in Chile:

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

|                     | <b>2009</b>  | <b>2010</b>  | <b>2011</b>  |
|---------------------|--------------|--------------|--------------|
| China .....         | 943          | 849          | 725          |
| South Korea .....   | 198          | 185          | 162          |
| United States ..... | 151          | 131          | 175          |
| Chile .....         | 139          | 133          | 91           |
| France .....        | 115          | 91           | 93           |
| Germany .....       | 109          | 135          | 100          |
| Brazil .....        | 69           | 68           | 76           |
| Mexico .....        | 50           | 54           | 26           |
| Italy .....         | 47           | 63           | 69           |
| Taiwan .....        | 37           | 64           | 50           |
| Turkey .....        | 31           | 33           | 39           |
| Greece .....        | 24           | 35           | 37           |
| Bulgaria .....      | 20           | 18           | 17           |
| Japan .....         | 20           | 29           | 68           |
| Spain .....         | 15           | 9            | 28           |
| India .....         | 12           | 12           | 34           |
| Vietnam .....       | 7            | 19           | 23           |
| Malasia .....       | 0            | 9            | 21           |
| Australia .....     | 0            | 30           | 21           |
| Others .....        | 30           | 15           | 73           |
| <b>Total .....</b>  | <b>2,017</b> | <b>1,982</b> | <b>1,928</b> |

The decrease in sales to most of CODELCO's export markets during 2011 as compared to 2010 was primarily due to instability in the global economy. Despite the global slowdown and the efforts of the Chinese government to slow its economy's GDP growth, China has remained the main driver of copper consumption over the past few years.

## **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**

On December 31, 2011, CODELCO employed 18,247 employees, approximately 86.6% of whom were 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 material work slowdowns, work stoppages and strikes in the past.

CODELCO was involved in negotiating seven collective bargaining agreements in 2011, four of which were negotiated before the termination of the contracts, without conflict or work stoppage: one in the Chuquicamata Division, one in the Radomito Tomic Division, one in the Ministro Hales Division, three in the El Teniente Division and one in the Headquarters, covering a total of 4,973 employees. In 2012, three collective bargaining agreements have been negotiated in advance without any conflict: one in the Andina Division and two in the Ventanas Division, covering a total of 1,148 employees. There are three additional collective bargaining agreements that expire by the end of 2012 involving headquarters supervisors and two workers' unions in the Andina Division, covering 1,376 employees.

Although management believes its present labor relations are good, 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 collective bargaining agreements and management is unable to estimate the effect of any such work slowdown, stoppage or strike on CODELCO's production levels. See "Risk Factors—Risks Relating to CODELCO's Operations—Labor disruptions involving CODELCO's employees or the employees of its independent contractors could affect CODELCO's production levels and costs."

On July 11, 2011, a one-day strike was called by the Federation of Copper Workers (FTC), which resulted in an approximately 5,000 metric ton decrease in production. CODELCO and the FTC subsequently signed a framework agreement to regulate relations within the Company between management and workers and to foster a dialogue concerning the competitiveness of the Company.

CODELCO employed an average work force of 17,988 persons during 2011, a decrease of 9.18% as compared with 2010. CODELCO employed an average work force of 18,155 persons during the first three months of 2012. CODELCO spent U.S.\$14 million during 2011 on staff development and training. 7,281 training sessions were held, with many employees attending multiple courses, for a total of 42,784 participants.

In September 2010, CODELCO offered retirement to approximately 15% of its labor force, in order to increase productivity, and 2,448 employees accepted, representing 82% of the total offered. This process began on December 31, 2010 and continued through 2011 to ensure the efficient transfer of all activities. Consequently, there has not been any disruption to CODELCO's production.

As of March 31, 2012, there were 28,682 employees of regular independent operating contractors and 20,717 employees of contractors involved in the development of CODELCO's investment projects. At the end of July 2007, a small portion of contract workers that provide services to CODELCO in various divisions went on a strike that lasted 37 days. During 2007, a framework agreement was signed that established programs to improve the benefits for the workers. Nevertheless, there was another strike in April and May of 2008 by workers of

CODELCO's contractors that lasted 12 days at El Teniente and 20 days at Salvador, reducing production by 30,000 metric tons. A similar strike occurred in May 2011 that lasted 55 days in El Teniente, which resulted in an approximately 17,000 metric ton decrease in production. This strike was resolved through dialogue and agreement between representatives of the workers and the association of contractor companies (Asociación Gremial de Empresas para la Minería y Rubros Asociados ("AGEMA")). While none of the strikes had a material effect on CODELCO's results of operations, CODELCO has experienced material and more protracted work disruptions in the past.

In August 2011, the AGEMA and the Confederation of Copper Workers ("CTC") signed an agreement to prevent strikes such as the one at El Teniente in April and May of 2008 for the benefit of employees of contractors that permanently service various CODELCO divisions and production facilities, including Gabriela Mistral. The agreement provides for the payment of a bonus by the contractor companies to certain contract employees, which will be paid in installments until December 2013, and better working practices. There can be no assurance that a work slowdown or stoppage will not occur prior to or upon the completion of the agreed bonus payment, and CODELCO is unable to estimate the effect of any such events on CODELCO's production levels.

Work slowdowns, stoppages and other labor related events could increase CODELCO's independent contracting costs, which could have a material adverse effect on the business, financial condition, results of operations or prospects of CODELCO. In addition, pursuant to the Labor Code of the Republic of Chile (*Código Laboral*), CODELCO could be held liable for the payment of labor and social security obligations owed to the employees of independent contractors if the independent contractors do not fulfill those payment obligations. 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 independent contractors 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 March 31, 2012, an aggregate of U.S.\$226 million in principal amount of these loans was outstanding.

#### Number of Employees by Division and Gabriela Mistral Mine<sup>(1)</sup>

| Division                  | January-December |        | Variation (%)<br>2011/2010 | January-<br>March |
|---------------------------|------------------|--------|----------------------------|-------------------|
|                           | 2010             | 2011   |                            | 2012              |
| Chuquicamata .....        | 7,403            | 6,513  | (12.0)%                    | 6,550             |
| Radomiro Tomic .....      | 823              | 985    | 19.7%                      | 1,014             |
| Mina Ministro Hales ..... | 1                | 224    | 22,300.0%                  | 303               |
| Salvador .....            | 1,524            | 1,530  | 0.4%                       | 1,445             |
| Andina .....              | 1,561            | 1,574  | 0.8%                       | 1,578             |
| El Teniente .....         | 5,177            | 4,958  | (4.2)%                     | 4,942             |
| Gabriela Mistral .....    | 389              | 427    | 9.8%                       | 550               |
| Head office .....         | 1,017            | 532    | (47.7)%                    | 536               |
| Ventanas .....            | 1,096            | 974    | (11.1)%                    | 981               |
| Share services .....      | 815              | 700    | (14.1)%                    | 806               |
| Total .....               | 19,806           | 18,417 | (7.0)%                     | 18,705            |

(1) Average for the period.

Chilean law provides incentives for companies to ensure that contractors and subcontractors comply with labor, health and safety regulations and standards with respect to their own employees. It also regulates the provision of transitory services by contractors and subcontractors enabling the creation of companies for this specific purpose.



## 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 December 2003, CODELCO initiated a legal proceeding against a tax resolution of the *Servicio de Impuestos Internos* ("SII"), or the Chilean Internal Revenue Service, seeking a rebate of approximately U.S.\$42 million in connection with the resolution of a tax claim in respect of fiscal year 2003. A final decision regarding this matter is pending.

In October 2006, CODELCO initiated a legal proceeding against a tax resolution of the SII seeking a rebate of approximately U.S.\$31 million in connection with the resolution of a tax claim related to fiscal years 2003, 2004 and 2005. A final decision regarding this matter is pending.

In June 2009, Socovesa Tecsa initiated, before an arbitrator, a civil legal proceeding against CODELCO (Chuquicamata Division), seeking payment of approximately U.S.\$21.2 million for damages for an alleged breach of contract. A final resolution is pending in this matter.

In December 2009, Mr. Milton Astudillo initiated, before the Ordinary Courts of Calama, a summary civil legal proceeding against CODELCO (Radomiro Tomic Division), seeking payment of approximately U.S.\$26 million for damages for the alleged use of certain technology. The lower court held that CODELCO was required to pay U.S.\$14 million, and an appeal is pending. CODELCO has a provision covering the entire amount the lower court indicated CODELCO must pay.

CODELCO has also been subject to alleged silicosis claims. In October 2003, 23 workers from CODELCO's Andina Division initiated a civil legal proceeding against CODELCO before the Ordinary Courts of Los Andes for approximately U.S.\$24 million in damages arising from alleged silicosis provoked by working conditions in the mines. In April 2004, 24 other workers from the Andina Division initiated a second civil legal proceeding for approximately U.S.\$23 million for alleged silicosis due to working conditions. In April 2011, the Supreme Court awarded an aggregate of U.S.\$2.1 million in damages for the October 2003 claim by the 23 workers, which CODELCO has since paid, and rejected the April 2004 claim of the other 24 workers.

In May 2006, an additional 174 former workers from the Andina Division initiated a third civil legal proceeding for approximately U.S.\$200 million on the same grounds. A resolution issued by the Court of Appeals in this case in April 2010, reduced to approximately U.S.\$9.4 million the maximum amount the plaintiffs may be awarded. However, a final decision by the Supreme Court is still pending.

In May and July of 2009, 81 former workers from the Andina Division initiated two additional civil legal proceedings for approximately U.S.\$110 million, alleging that they had contracted silicosis due to working conditions. In December 2010, 40 former workers of the Andina Division initiated a new legal proceeding for approximately U.S.\$43 million on the same grounds. A final resolution is pending in both matters.

CODELCO is in the process of responding to, by the relevant deadlines, an assessment of the SII that originated from a review of taxable income from prior years related to a product sales contract signed with a related company, certain deductions, expenses related to employee benefits as well as adjustments to taxable income related to a merger. CODELCO believes that the position of the SII is incorrect, and expects this will be so declared in the pending review or subsequently by a court at the petition of CODELCO, but if the assessment were upheld, it would have a material impact on our results of operations.

In May 2012, CODELCO initiated an arbitration against E.CL, a subsidiary of GDF Suez. CODELCO claims that E-CL overcharged the Company in its invoices relating to a power supply contract executed between the parties. The amount of the claim is approximately UF 712,983.

On January 2, 2012, CODELCO exercised its call option to purchase a 49% stake in Anglo Sur. Previously, on December 22, 2011, Anglo American and affiliates filed a legal complaint against CODELCO before the 14th Civil Court of Santiago, asserting that CODELCO had breached certain of its obligations under the option agreement and seeking rescission, as well as damages. On January 10, 2012, CODELCO filed a counterclaim against Anglo American and affiliates based on the non-performance of the obligations under the option rights of CODELCO, and seeking to enforce its right to exercise the call option for 49%. On January 13, 2012, CODELCO obtained an injunction that prevents Anglo American from selling any of the 49% option shares while the judicial proceedings are in place. As publicly disclosed, on May 22, 2012, the judicial proceedings were suspended for a period of 30 days until June 22, 2012, and then for a second period ending July 17, 2012, during which CODELCO and Anglo American have agreed to pursue discussions aimed at reaching a possible settlement of all such claims. There can be no assurance that the parties will reach a settlement related to these claims. See “Summary—Recent Developments.”

CODELCO believes that it has meritorious defenses to the claims against it and, accordingly, is vigorously defending its rights and interests in these proceedings.

For additional details related to CODELCO’s litigation and contingencies, see Note 29 to the Unaudited Interim Consolidated Financial Statements.

## 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 2005 on the LME:

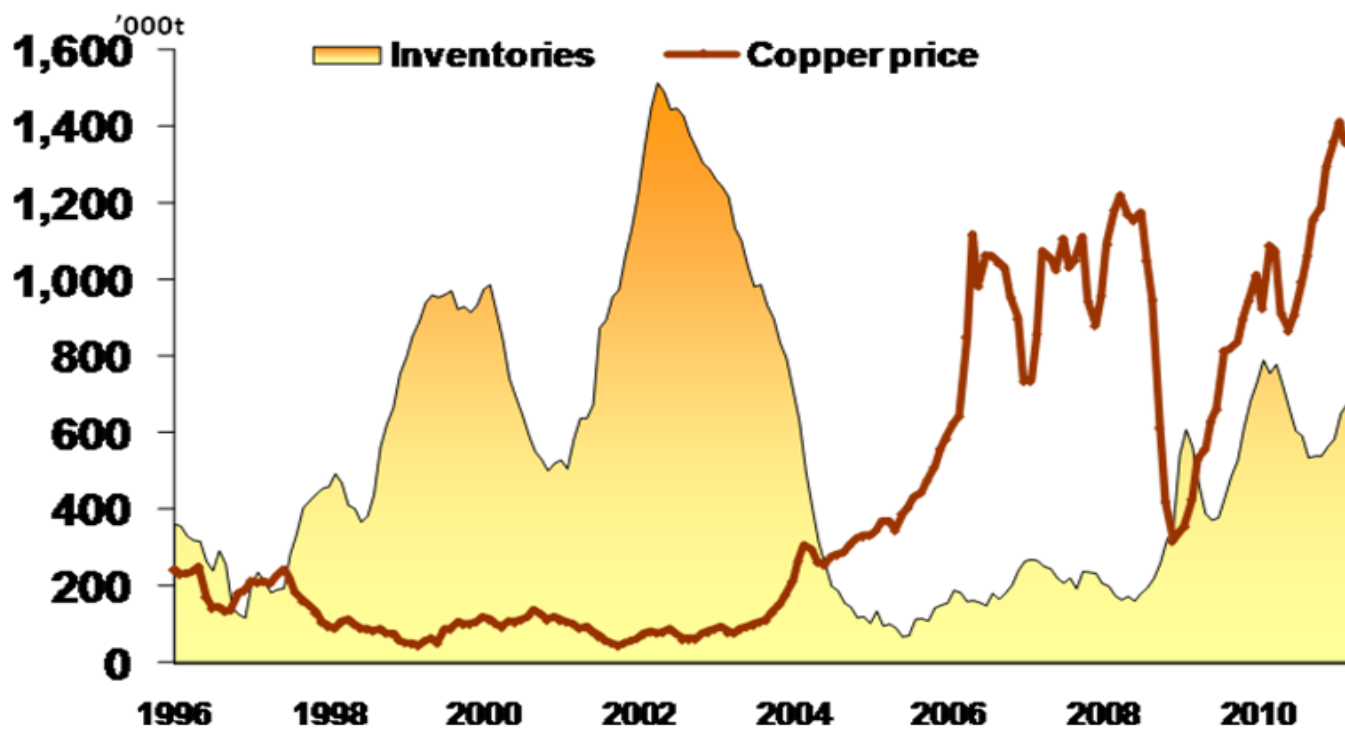
| <b>Average Copper Price<br/>(U.S.¢/Pound)</b> |                      |       |
|-----------------------------------------------|----------------------|-------|
| <b>2007</b>                                   | First Quarter .....  | 269.1 |
|                                               | Second Quarter ..... | 346.6 |
|                                               | Third Quarter .....  | 349.8 |
|                                               | Fourth Quarter ..... | 326.0 |
| <b>2008</b>                                   | First Quarter .....  | 353.6 |
|                                               | Second Quarter ..... | 383.0 |
|                                               | Third Quarter .....  | 348.4 |
|                                               | Fourth Quarter ..... | 177.1 |
| <b>2009</b>                                   | First Quarter .....  | 155.5 |
|                                               | Second Quarter ..... | 211.5 |
|                                               | Third Quarter .....  | 265.8 |
|                                               | Fourth Quarter ..... | 301.6 |
| <b>2010</b>                                   | First Quarter .....  | 328.1 |
|                                               | Second Quarter ..... | 318.8 |
|                                               | Third Quarter .....  | 328.5 |
|                                               | Fourth Quarter ..... | 391.7 |
| <b>2011</b>                                   | First Quarter .....  | 437.5 |
|                                               | Second Quarter ..... | 415.1 |
|                                               | Third Quarter .....  | 407.9 |
|                                               | Fourth Quarter ..... | 339.7 |
| <b>2012</b>                                   | First Quarter .....  | 376.9 |
|                                               | Second Quarter ..... | 356.9 |

Source: London Metal Exchange, Monthly Average Settlement.

On July 9, 2012 the closing price for refined copper on the LME was 341.1 cents per pound.

The following graph compares average market prices for copper and the level of LME, Shanghai Metal Exchange and COMEX inventories from 1996 through April 2012:

### Copper Prices and Inventories on Commodities Exchanges



Source: Metal Exchanges: London, COMEX and Shanghai.

\*Year 2012 until June 22. Constant Price in 2012 Currency

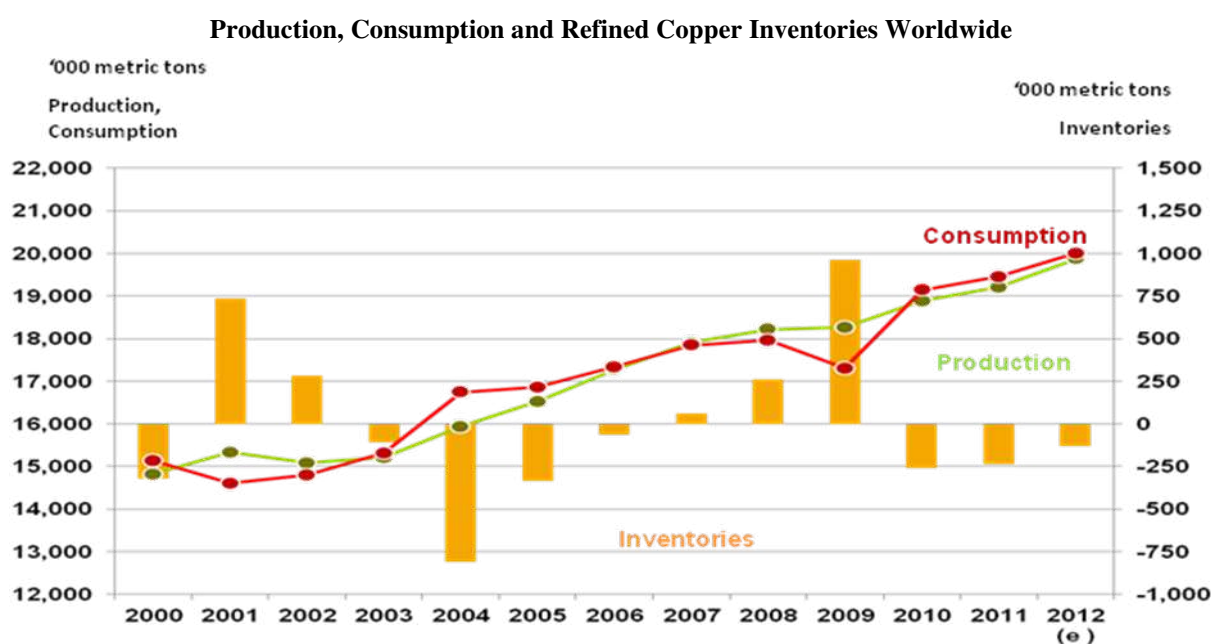
Historically, copper prices have been subject to wide fluctuations and are affected by numerous factors, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers and others and actions of 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. See “Risk Factors—Risks Relating to CODELCO’s Operations—CODELCO’s business is highly dependent upon the price of copper.”

## Opportunities for Copper

Since 2005, copper prices have experienced significant volatility. LME copper prices averaged 399.7 cents per pound in 2011, as compared to 342.0 cents per pound in 2010 and 234.2 cents per pound in 2009. Copper prices during 2009 to 2011 trended upward, reflecting increased consumption rates from China. With the onset of the European crisis and global volatility, copper prices averaged 376.9 cents per pound in the first three months of 2012. In the second quarter of 2012, copper prices averaged 356.9 cents per pound. Copper demand remains strong, particularly in Asia, keeping copper prices at high levels despite economic conditions in Europe. See “Risk Factors—Risks Relating to CODELCO’s Operations—CODELCO’s business is highly dependent upon the price of copper.” Global demand for copper in 2011 increased by 2.6%, including a 8.0% demand increase from China. China’s consumption was extremely robust in 2009, 2010 and 2011, driven by the expansion of its urbanization, power grid and strong auto and consumer appliances sales, among others.

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 termination of widespread substitution of aluminum for copper in overhead high-voltage transmission lines also bodes well for the metal’s future.

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 world from 2000 through 2012 (estimated) (in thousands of metric tons):



Sources: CODELCO, September 2011; Intierra (ex Bloomsbury), Copper Briefing Service, May 2012; Brook Hunt, The Long-Term Outlook for Copper, 1Q April 2012; Copper Quarterly Industry and Market Outlook, April 2012.

## REGULATORY FRAMEWORK

### Overview of the Regulatory Regime

CODELCO is a mining, industrial and commercial state-owned enterprise of indefinite duration with its own legal personality and capital. CODELCO's relationship with the Government of Chile is through the Ministry of Mining. CODELCO was established pursuant to Decree Law 1.350 of 1976, as amended by Law 20.392, published in the Official Gazette on November 14, 2009, and effective as of March 1, 2010. CODELCO is governed by Decree Law 1.350 and by Decree 146 of August 12, 1991, as amended (to conform the same with Law 20.392) by Decree N° 3 January 13, 2012 issued jointly by the Ministry of Mining and the Ministry of Finance, published in the Official Gazette on July 4, 2012, which sets forth CODELCO's current bylaws, and the general legal framework applicable to private companies regarding public disclosure (rules applicable to open-ended stock companies), and other applicable regulations. CODELCO's principal corporate purpose is the exercise of the mining, exploration and other rights belonging to the Chilean Republic at the time of CODELCO's creation in 1976.

Principally, the amendments to Decree Law 1.350 contained in Law 20.392 (i) introduce best corporate governance practices in conformity with recommendations made by the Organization for Economic Co-operation and Development, or OECD, into CODELCO's legal framework; (ii) make applicable the provisions of Law 18.046, (the "Corporations Law"), to CODELCO; and (iii) vests in the President of the Republic the authority given to the shareholders of a corporation (*sociedad anónima*) under Chilean law, who may delegate such authority to the Ministries of Mining and Finance, jointly. In addition, the amendments introduced significant changes to the structure, designation and authority of the Board of Directors of CODELCO: (i) there are no longer directorship positions for the Ministers of Finance and Mining or the representative of the Armed Forces; (ii) directors must (a) hold a professional degree granted by a State-run or State-recognized university or college or by an equivalent foreign university and (b) have at least five years' working experience in directive positions at public or private companies; (iii) directors representing the workers and foremen are no longer appointed directly by the President of the Republic, but instead, are appointed by the President of the Republic from short-lists presented by the Federation of Copper Workers (FTC) and both the Federation of Copper Supervisors (FESUC) and the National Association of Copper Supervisors (ANSCO), respectively; and (iv) directors are subject to the rules governing the rights, obligations, responsibilities and prohibitions established in the Corporations Law.

CODELCO is subject to the supervision of (i) the SVS, on the same terms as open-ended stock companies (CODELCO is registered under the Securities Registry No. 785 of the SVS) and (ii) the *Comisión Chilena del Cobre* (COCHILCO), or the Chilean Commission of Copper, governmental agencies that, among other authorities, are responsible for examining the compliance with certain regulations applicable to CODELCO's activities and report the relevant findings to its Chief Executive Officer. 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. The Lower House (*Cámara de Diputados*) of the Chilean Congress also maintains an overarching authority to oversee CODELCO in the exercise of its constitutional duties.

Chilean law requires CODELCO to 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 Republic of Chile, 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 Republic of Chile. A constitutional amendment would be required to allow private participation in CODELCO's ownership.

Each year, the Board of Directors must approve the BDP (*Plan de Negocios y Desarrollo*) of the Company for the following three years, subject to the approval of the Ministries of Finance and Mining. This plan must include the annual investment and financing amounts in addition to the annual profits that the Company is estimated to generate during the period. The Ministries of Finance and Mining jointly issue a decree pursuant to which a portion of CODELCO's net income may be allocated by CODELCO to the creation of capitalization and reserve funds.

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 requires 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 independent auditors to audit its consolidated financial statements and an internal comptroller to review its finances, accounting and administration.

## **Mining Regulations**

*Legal framework.* CODELCO's exploration, mining, milling, smelting 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 holder of mining concessions 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 Republic of Chile is the owner of all mineral and fossil substances, regardless of who owns 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 have an indefinite 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 Republic of Chile 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 2010, CODELCO paid total concession fees of U.S.\$7.1 million.

Pursuant to the Mining Code, all mining concessions, as well as certain raw materials, assets and other property permanently dedicated to the exploration or 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."

In August 2011, a new mining bill was submitted to the Chilean Congress by the President of the Republic regarding safety in mining activities. The bill includes the conversion of certain safety directives, with which CODELCO already complies as a large mining operation, into enforceable regulations, mainly aimed at smaller mines, and the creation of a new enforcement authority. In addition, the bill contemplates the assignment of certain oversight powers currently performed by COCHILCO to the Ministry of Mining in connection with the finances of CODELCO and its subsidiaries. Since CODELCO is currently in compliance with the safety measures in the proposed bill, CODELCO believes that if this bill were enacted it would have no material effect on its operations.

## **Environmental Regulations**

CODELCO's operations are subject to national, regional and local regulations as well as international treaties subscribed by the Chilean Government and enacted as Chilean domestic law and foreign laws and regulations regarding the protection of the environment, natural resources and the effect of the environment on

human health and safety, including laws and regulations concerning water, air and noise pollution, the handling, disposal and transportation of hazardous waste and occupational health and safety.

The General Environmental Law (Law 19.300), enacted in March 1994 and modified by Law 20.417, establishes a general framework for environmental regulation in Chile. Chilean environmental laws and regulations, and the enforcement thereof, have become increasingly stringent in recent years and have become even more so due to recent changes. Such recent amendments include, among other significant modifications, the creation of a new institutional framework comprised by: (i) the Ministry of the Environment (*Ministerio del Medio Ambiente*); (ii) the Council of Ministers for Sustainability (*Consejo de Ministros para la Sustentabilidad*); (iii) the Environmental Assessment Service (*Servicio de Evaluación Ambiental*); and (iv) the Bureau of the Environment (*Superintendencia del Medio Ambiente*), all of which will be in charge of regulating, evaluating and enforcing activities that could have an environmental impact. These institutions are fully operational except in the following respects: (i) the Bureau of the Environment's supervision and enforcement powers are not in force until the Environmental Courts become operational, which will occur six months from the date the applicable law is enacted; and, (ii) some provisions that contain substantial modifications to the Environmental Impact Assessment System and grant new powers to environmental institutions are subject to the modification of existing or the enactment of new regulations. The new institutions and regulatory framework are likely to impose additional restrictions or costs on CODELCO, such as new or amended laws and regulations relating to environmental litigation and protection of the environment, particularly those related to flora and fauna, wildlife protected areas, water quality standards, mine closure, air emissions, and soil pollution. For instance, once the Bureau of the Environment is fully operational, infringement of environmental regulations may lead to fines of up to approximately U.S.\$9.25 million, the closure of facilities and the revocation of environmental approvals. As described in more detail below, CODELCO incurs, and may be required in the future to incur, in substantial capital and operating costs related to environmental compliance. However, many of these costs are inextricably intertwined with the operation of CODELCO's business as a whole.

The General Environmental Law, as supplemented by additional regulations, permits the Chilean 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 citizens 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, citizens affected by environmental pollution may petition for relief to a Chilean Court of Appeal, 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 and its regulations contain certain rules on Environmental Impact Assessment, which have been in effect since April 3, 1997, and that provide that CODELCO must evaluate the environmental impact of any future project or activity that may significantly affect the environment. CODELCO has conducted these environmental impact studies and evaluations pursuant to the General Environmental Law. The newly created Environmental Assessment Service will be in charge of managing, coordinating and consolidating the environmental evaluation process.

Chile has adopted environmental regulations requiring companies operating in Chile, including CODELCO, to undertake programs to reduce, control and/or eliminate certain environmental impacts. CODELCO has undertaken a number of environmental projects to comply with such regulations. From 2003 to 2011, CODELCO invested U.S.\$446 million in these projects, and plans to continue implementing pollution abatement plans through additional capital investments amounting to U.S.\$500 million from 2012 through 2013. In addition, from 2012 through 2013, CODELCO plans to invest U.S.\$150 million in a new effort to close gaps in environmental vulnerabilities generated by 100 years of production, which goes beyond legal requirements and seeks to make CODELCO an industry leader in environmental sustainability issues with the implementation of new corporate environmental standards. In 2011, CODELCO allocated U.S.\$72 million to environmental projects, including the enlargement of the Carén tailings dam in the El Teniente Division and a project to prevent pollution of natural water resources in the east dump area the Andina Division. Additionally, as part of its pollution abatement efforts, CODELCO continues to implement water recovery systems, the costs of which are also budgeted in CODELCO's pollution abatement plan, to conserve resources and minimize pollution of natural water sources.



To protect and improve environmental air quality in the country, the Ministry of the Environment has the ability to declare certain areas to be “latent zones” (*zonas latentes*) or “saturated zones” (*zonas saturadas*). Latent zones are areas in which there exists a high risk of excessive pollution – the pollutant concentration is greater than 80% of the corresponding quality standard for a pollutant in a certain area – and in which emissions are not permitted to increase. Saturated zones are areas in which an excessive level of pollution already has been reached – the ambient concentration of the air pollutant exceeds 100% of the corresponding quality standard for a pollutant in a certain area – and in which emissions are required to be reduced and mitigation measures are required to be implemented. In connection with the declaration of a latent or saturated zone, the Ministry of the Environment begins an investigation and public-consultation process to develop a pollution prevention or pollution abatement plan, as the case may be. This process may take more than two years. Upon publication of either type of plan, emission reduction targets and other environmental remediation actions may be required of industries located within the latent or saturated zone. Measures included in the pollution prevention or reduction plans governing CODELCO’s operations are subject to change and may become more stringent if compliance with applicable air quality standards is not achieved.

The area surrounding the Potrerillos, Caletones and Ventanas smelting facilities have been declared saturated zones for particulate matter (PM<sub>10</sub>) and sulfur dioxide (SO<sub>2</sub>). These areas are affected by the corresponding pollution abatement plans. There is a pollution abatement plan for PM<sub>10</sub>, and a pollution prevention plan for SO<sub>2</sub> for the area surrounding the Chuquicamata smelter is under development. A new saturated area, which includes Chuquicamata and the nearby town of Calama, was declared for PM<sub>10</sub> in 2008, and as a result, a new pollution abatement plan is under development and is expected to be completed in the near future.

The Ministry of the Environment has also taken steps to implement decontamination plans that could affect CODELCO’s operations in the Central Valley near Chile’s Sixth Region and Calama and its surroundings. In addition, the relevant Environmental Assessment Service may impose further requirements on CODELCO’s projects. Under the various plans that cover the areas where CODELCO operates, net increases in emissions by industrial facilities in these zones, including any increased emissions from the Potrerillos, Caletones, Ventanas and Chuquicamata smelting plants, have been banned. To date, the impact of operating in latent and saturated zones has not been material for CODELCO; however, it could have a material effect in the future.

A new air quality standard for an additional pollutant, primary particulate matter PM<sub>2.5</sub>, was enacted by the Ministry of the Environment in May 2011. This standard became effective on January 1, 2012 and could lead to the declaration of new latent or saturated zones within the country, which might affect CODELCO’s operations. CODELCO is unable to fully assess at this time if any new zones will be declared, what actions might be required in response or the cost of compliance.

A new air emission standard for smelters is under review by the Ministry of the Environment. This standard may involve arsenic (As), SO<sub>2</sub>, PM<sub>10</sub> and mercury (Hg) emissions. CODELCO is currently unable to estimate the costs of complying with these new regulations should they become effective, but predicts that compliance costs could be significant.

Supreme Decree 90, which sets standards for the discharge of liquid waste into surface water bodies, went into effect in September 2006. CODELCO has invested significant amounts to reduce liquid waste emissions to date and anticipates that it will continue to incur costs related to compliance with Supreme Decree 90. In addition, the authorities are developing water quality standards for water bodies that the Company currently or may in the future discharge into, including the Loa, Aconcagua and Cachapoal rivers. Such standards could require CODELCO to incur additional costs to manage liquid waste discharges.

Regulations were enacted in February 2004 governing safety standards for mining operations. Pursuant to these regulations, all mining companies, including CODELCO, were required to provide closure plans for their mining facilities, demonstrating compliance with safety standards. These plans must be updated every five years and must consider the requirements set forth in the environmental authorization issued for the respective facility, if any. *Servicio Nacional de Geología y Minería* (SERNAGEOMIN) has approved the closure plans CODELCO prepared for all of its facilities.

A new mine closure regulation, Law 20.551, which includes health, safety and environmental requirements along with mandatory provisions that require financial guarantees, was enacted in November 2011, and will become effective in November 2012. CODELCO expects that its financial guarantee obligations pursuant to the new law will not be material. According to this law, CODELCO and any other mining company in Chile, will be required to obtain the environmental approval of the closure plans of all of its mines before November 2014, and also must make any necessary financial provisions beginning in July 2015. The Government of Chile is currently developing a regulation that will detail the requirements of the law. CODELCO had total provisions amounting to U.S.\$862 million for closure expenses, including potential new governmental regulations, at December 31, 2011, and U.S.\$854 million at March 31, 2012. CODELCO is currently unable to estimate the additional costs of complying with this new regulation regarding mine closure, due to the unknown impact of the regulations still under development and any additional requirements that could derive from the environmental approval of the closure plans, but such costs could be material.

CODELCO first complied in 2003 with international standard ISO-14001 2004 Environmental Management Systems (EMSs) for all its divisions, operations and corporate head office, which have been maintained through annual revisions. This review certifies that CODELCO has management systems in place to control the environmental impact of its activities, products and services. The EMSs provide a structure for the Company to manage atmospheric emissions, waste and wastewater, the environmental impact and risks of its projects and the efficient use of resources.

CODELCO also obtained third-party certification under OHSAS-18001. OHSAS-18001 is an international occupational health and safety management system designed to assist CODELCO's management in the identification, evaluation, elimination and reduction of occupational health and safety risks through continuous improvement. ISO and OHSAS certifications have been maintained in all of CODELCO's divisions following certification obtained through third-party ISO and OHSAS audits.

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 Article 19, No. 21 states that if the Republic of Chile 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 the Chilean 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 Loan 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. For loans with maturity at issuance of a duration of more than one year, this authorization is required to commence the relevant procedures. The Ministry of Finance of Chile authorized the issuance of the notes by Resolution No. 1399 dated June 25, 2012 and Resolution No. 1534 dated July 9, 2012.

### **Statutory Documents**

The statutory documents of CODELCO are contained in Decree Law 1.350 published in the Official Gazette of February 28, 1976, as amended by Law 20.392 published in the Official Gazette on November 14, 2009, and Decree 146 published in the Official Gazette of October 25, 1991, as amended (to conform the same with Law 20.392) by Decree N° 3 of January 13, 2012 issued jointly by the Ministry of Mining and the Ministry of Finance, published in the Official Gazette on July 4, 2012. 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 will issue upon request, which contains free translations of the regulations into English.

## MANAGEMENT

The Board of Directors has primary responsibility for the management and administration of CODELCO. The Board of Directors is composed of nine members, appointed as set forth in Law 20.392, enacted on November 4, 2009: (i) three directors are directly appointed by the President of the Republic; (ii) four directors are appointed by the President of the Republic from a short-list presented by the Council of Senior Public Management (*Consejo de la Alta Dirección Pública*), an entity within the National Civil Service Bureau that advises the President of the Republic, ministers and heads of services departments on the appointment of high-ranking public positions; (iii) one director is appointed by the President of the Republic from a short-list presented by the Federation of Copper Workers (FTC); (iv) and one director is appointed by the President of the Republic from a short-list presented by both the Federation of Copper Supervisors (FESUC) and the National Association of Copper Supervisors (ANSCO). All directors in CODELCO serve in office for four years and may be reelected for new terms. The Board is renewed on a staggered basis and may not be revoked in its entirety.

The Board of Directors is vested with all the management and asset-disposal authority, except to the extent that Chilean law or CODELCO's bylaws establish such authority within the exclusive province of the President of the Republic (as discussed below), and other than the authority delegated to the Chief Executive Officer. The main responsibilities of the Board of Directors of CODELCO are to: (i) designate and remove the Chief Executive Officer; (ii) approve and send to the Finance Ministry an estimate of the revenues and surplus earnings that it will transfer to the State in the following year's budget; (iii) prepare the annual budget of CODELCO and send for the approval of the Ministry of Finance; and (iv) approve the BDP of the Company for the following three-year period.

The President of the Republic is vested with authority analogous to that of the shareholders of a corporation (*sociedad anónima*) under Chilean law, which may be delegated in whole or in part to the Ministers of Finance and Mining, jointly. Pursuant to such authority, the President of the Republic: (i) participates in the designation of the Board of Directors by designating three directors without external input and by electing six directors on the basis of third-party short-lists; (ii) appoints the Chairman of the Board of Directors and (iii) may approve and amend the bylaws of the Company, subject to an executive order issued jointly by the Ministries of Finance and Mining.

Senior management and administration of the Company are vested in its Board of Directors and Chief Executive Officer. The Board of Directors is in charge of the ultimate conduct and oversight of the Company. 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. Thomas Keller Lippold was appointed Chief Executive Officer of CODELCO in May 2012.

In February 2010, the four directors selected by the President of the Republic from a short-list presented by the Council of Senior Public Management and the two directors selected from the short-lists presented by the Federation of Copper Workers were appointed. In May 2010, the three directors selected directly by the President of the Republic were appointed. In May 2011, two of the directors selected by the President of the Republic from a short-list presented by the Council of Senior Public Management in February 2010 with a term expiring in 2011 were reappointed with a term through 2015. In May 2012, the President of the Republic selected and appointed Cabello from a short-list presented by both the Federation of Copper Supervisors (FESUC) and the National Association of Copper Supervisors (ANSCO). On May 24, 2012, Ignacio Torres Cabello voluntarily resigned from the position and as of the date of this offering memorandum, the position remains vacant.

## 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>                                |
|-----------------------------------|------------------------------------------------|
| <b>Directors</b>                  |                                                |
| Gerardo Jofré Miranda.....        | Chairman <sup>(1)(5)</sup>                     |
| Marcos Büchi Buc .....            | Director <sup>(1)(6)</sup>                     |
| Jorge Bande Bruck.....            | Director <sup>(1)(5)</sup>                     |
| Marcos Lima Aravena .....         | Director <sup>(1)(6)</sup>                     |
| Andrés Tagle Domínguez .....      | Director <sup>(2)(7)</sup>                     |
| Juan Luis Ossa Bulnes.....        | Director <sup>(2)(7)</sup>                     |
| Fernando Porcile Valenzuela ..... | Director <sup>(2)(7)</sup>                     |
| Raimundo Espinoza Concha.....     | Director <sup>(3)(8)</sup>                     |
| Vacant Director Position.....     | Director <sup>(4)</sup>                        |
| <b>Executive Officers</b>         |                                                |
| Thomas Keller Lippold.....        | Chief Executive Officer and President          |
| José Robles Becerra.....          | Chief Financial Officer (Interim)              |
| Sebastián Conde Donoso .....      | Vice President Human Resources                 |
| Isaac Aránguiz Miranda.....       | Vice President Technology and Innovation       |
| Rodrigo Toro Ugarte.....          | Vice President Sales                           |
| Sergio Fuentes Sepúlveda.....     | Vice President Projects                        |
| Gerhard von Borries Harms .....   | Vice President Business Development            |
| José Antonio Álvarez López.....   | Executive Vice President of Finance            |
| Patricio Enei Villagra.....       | General Counsel                                |
| Ignacio Muñoz Reyes .....         | General Auditor                                |
| Julio Aranis Vargas.....          | Vice President – Operations Norte              |
| Jorge Gómez Díaz.....             | Vice President – Operations Centro Sur         |
| Juan Carlos Avendaño Díaz.....    | General Manager – Chuquicamata Division        |
| Francisco Carvajal Palacios ..... | General Manager – Radomiro Tomic Division      |
| Juan Medel Fernández .....        | General Manager – Mina Ministro Hales Division |
| José Sanhueza Reyes .....         | General Manager – Ventanas Division            |
| Octavio Andrés Araneda Osés ..... | General Manager – El Teniente Division         |
| Ricardo Palma Contesse .....      | General Manager – Andina Division              |
| Armando Olavarría Couchot.....    | General Manager – Salvador Division            |

- (1) Appointed by the President of the Republic from a short list presented by the Council of Senior Public Management (*Consejo de la Alta Dirección Pública*).
- (2) Directly appointed by the President of the Republic.
- (3) Employee of CODELCO, appointed by the President of the Republic from a short list presented by the Federation of Copper Workers.
- (4) Employee of CODELCO, appointed by the President of the Republic from a short list presented by the Federation of Copper Supervisors and the National Association of Copper Supervisors.
- (5) Term expires May 2015.
- (6) Term expires May 2015.
- (7) Term expires May 2014.
- (8) Raimundo Espinoza Concha was reappointed in May 2012 and his term expires May 2016.

There is no family relationship between any director or executive officer and any other director or executive officer. The business address for the executives and directors previously listed is Huérfanos 1270, 6th floor, Santiago, Chile. No executive holds a position outside of CODELCO.

## Committees of the Board of Directors

### *Audit, Benefits and Ethics Committee (Comité de Auditoría, Compensaciones y Ética)*

CODELCO's audit, benefits and ethics committee consists of four members of the Board of Directors, Marcos Lima Aravena (Chair), Marcos Büchi Buc (Vice Chair), Gerardo Jofré Miranda and Jorge Bande Bruck, and may invite others to assist in its work. The audit, benefits and ethics committee's primary responsibility is to

support the Board of Directors by providing and improving internal controls by reviewing transactions with related parties and the work of CODELCO's internal audit department. The committee also analyzes and reviews the work and reports of the external auditors. 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. CODELCO's audit, benefits and ethics committee is not subject to the independence and other requirements to which U.S. public companies are subject.

***Projects and Investment Committee (Comité de Proyectos y Financiamiento de Inversiones)***

The projects and investments committee consists of four members, Jorge Bande Bruck (Chair), Marcos Büchi Buc (Vice Chair), Fernando Porcile Valenzuela and Raimundo Espinoza Concha. This committee analyzes and recommends major mining development projects and financing of these projects.

***Management Committee (Comité de Gestión)***

The management committee consists of Fernando Porcile Valenzuela (Chair), Andrés Tagle Domínguez (Vice Chair), Marcos Lima Aravena and Raimundo Espinoza Concha. The committee is primarily responsible for management of the Company's divisions, key projects and review and evaluation of the performance of subsidiaries and affiliated companies.

***Corporate Governance and Sustainability Committee (Comité de Gobierno Corporativo y Sustentabilidad)***

The corporate governance and sustainability committee consists of Andrés Tagle Domínguez (Chair), Juan Luis Ossa Bulnes (Vice Chair) and Gerardo Jofré Miranda. The committee considers any recommendations made by senior management regarding changes in corporate or divisional structure, any changes proposed to the internal operating procedures of the Company and responsibilities of senior management, oversees compliance with the code of conduct and corporate governance policies and coordinates self evaluations of members of the Board of Directors. The committee also advises the Board of Directors with respect to matters of sustainability, providing assistance to the Board of Directors in the Company's sustainability policies and goals as well as analyzing the efficacy of the Company's policies and management systems in the areas of health, safety and the environment.

## RELATED PARTY 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 3 to the 2011 Year-end Consolidated Financial Statements and Note 3 to the Unaudited Interim Consolidated Financial Statements.

In its dealings with Cyprus El Abra Corporation (a subsidiary of Freeport McMoRan), the partner in SCM El Abra, CODELCO acts through a subsidiary, as agent. CODELCO does not sell copper to Nordeutsche Affinerie Group, its partner in Deutsche Giessradht GmbH.

Pursuant to Article 147 of the Corporations Law, CODELCO may only enter into operations with related parties when their intent is to benefit the corporate interest, when entered into on arm's length terms as prevailing when approved, and when they meet the requirements and complete the procedures indicated therein.

According to Article 146 of the Corporations Law (as amended by Law 20.382, the "Corporate Governance Law," enacted on October 13, 2009 and effective as of January 1, 2010), "operations with related parties" of CODELCO include any and all negotiations, acts, contracts or operations in which the Company must take part, as well as:

- (i) any related persons to the Company, pursuant to the definition contained in Article 100 of Law 18.045 (the "Securities Market Law", also as amended by the Corporate Governance Law);
- (ii) board members, managers or main executives of CODELCO, acting directly or on behalf of any third company, or their respective spouses or relatives up to the second degree (consanguinity or affinity);
- (iii) corporations or partnerships in which one of the persons mentioned in (ii) above are direct or indirect owners of 10% or more of its capital, board members, managers or main executives;
- (iv) those persons particularly established under the CODELCO's bylaws or reasonably identified by the Directors' Committee, as applicable, even if not of a relevant amount, provided they are conducted on a regular basis (as per the regularity policy determined by the Board of Directors of CODELCO) or with a subsidiary of CODELCO in which the Company holds a direct or indirect ownership interest of at least 95%; and
- (v) any company in which a board member, manager or main executive of CODELCO has served as a board member, manager, main executive or liquidator, during the last 18 months.

The rules, requirements and procedures to approve operations with related parties apply both to the operations of CODELCO as well as to those of its subsidiaries, regardless of their legal nature, except for some exemptions set forth in Article 147 of the Corporations Law in which related-party transaction may be executed without the requirements referred to above, with the prior approval of the Board of Directors.

The breach of any of the restrictions on related party transactions will not affect the validity of the transaction. However, CODELCO or the President of the Republic may demand from the breaching party, the reimbursement for an amount equivalent to the benefits gained by the breaching party resulting from the transaction. Additionally, CODELCO or the President of the Republic may claim damages. Finally, the breaching party bears the burden of proof that the transaction was carried out according to the law.

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 Corporations Law. 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”) to be dated as of July 17, 2012 between CODELCO and The Bank of New York Mellon, 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 101 Barclay Street, Floor 4 East, New York, New York 10286.*

### 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 The Bank of New York Mellon (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 January 17 and July 17 of each year, commencing on January 17, 2013, 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 January 2 and July 2, 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.

Moneys paid by CODELCO to the Fiscal Agent for the payment of principal of or interest on any of the notes and remaining unclaimed at the end of two years after the date on which such principal or interest shall have become due and payable (whether at maturity, upon call for redemption or otherwise) shall, together with interest made available for payment thereof, be repaid to CODELCO, whereupon all liability of the Fiscal Agent with respect to such moneys shall cease.

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 3.00% notes due 2022 (the “2022 notes”) and the 4.25% notes due 2042 (the “2042 notes”) will be issued in two series (each a “series”), and will mature on July 17, 2022 and July 17, 2042, respectively. The notes of each series 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. On the maturity date of the notes, CODELCO will be required to pay 100% of the then outstanding principal amount of the notes plus accrued and unpaid interest thereon and Additional Amounts, if any. 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 will be issued upon the closing of this offering in definitive, fully registered form, without coupons, in exchange for the Global Notes in denominations of U.S.\$200,000 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 101 Barclay Street, Floor 4 East, New York, New York 10286, 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 of each series 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 (collectively, the “144A Global Notes”), which will be deposited with the Fiscal Agent, as custodian for DTC, and registered in the name of Cede & Co., as DTC’s nominee.

The notes of each series 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 (collectively, the “Regulation S Global Notes” and, together with the 144A Global Notes, the “Global Notes”), which will be deposited with the Fiscal Agent, as custodian for DTC, and registered in the name of Cede & Co., 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 QIB 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 depository; 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 depository 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, the Fiscal Agent, as custodian for DTC, and registered in the name of Cede & Co., 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 & Co., as the nominee of DTC, is the registered owner of the Global Notes, Cede & Co. 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 & Co., 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 further 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 a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). 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. DTCC is the

holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants. DTCC is owned by the users of its regulated subsidiaries.

### **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 Euro MTF Market of 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 restricts or prevents CODELCO or any Restricted Subsidiary (as defined below) from incurring any additional 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 IFRS as of the then most recent date filed by CODELCO with the SVS, 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 of principal and stated interest under the notes by CODELCO will be made without deduction or withholding for or on account of any present or future taxes, assessments, duties or governmental charges 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, assessments, duties or governmental charges 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, duty or other governmental charge that would not have been so deducted or withheld 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, duty or other governmental charge (including, without limitation, such Holder or beneficial owner (or such fiduciary, settler, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein) 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, capital gains, excise or similar tax, assessment, duty or other governmental charge;
- (c) any tax, assessment, duty or other governmental charge that 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, duty 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 all or part of such tax, assessment, duty or other governmental charge, or to a reduction in the applicable tax rate, and proper notice has been sent to the Holder or beneficial owner;
- (e) any such withholding or deduction imposed on a payment to an individual that is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000; or
- (f) any combination of items (a), (b), (c), (d) and (e) 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%, and a refund is provided with respect to such withholding tax, CODELCO shall have the right to receive and be entitled to such funds from the relevant Taxing Jurisdiction.

## **Tax Redemption**

The notes may be redeemed at the election of CODELCO, in whole, but not in part, by the giving of notice as provided in “—Notices” below, 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, including a holding by a court of competent jurisdiction) of the Taxing Jurisdiction, or any change in the official application, administration or interpretation of such laws, regulations or rulings in such Taxing 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% withholding (“Excess Additional Amounts”), and 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 measures it considers reasonable and that are available to it (for this purpose, reasonable measures shall not include any change in CODELCO’s or any successor’s jurisdiction of incorporation or organization or location of its principal executive or registered office); *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 any of the following: (i) default for 30 days in payment of any interest on the notes; (ii) default in payment of principal of the notes; (iii) 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; (iv) 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 (x) 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 (y) 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 (v) 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, once the notes are listed on the Luxembourg Stock Exchange, such notices will be published in a daily newspaper in circulation in Luxembourg. In addition, any notices relating to the delisting of the notes from the Luxembourg Stock Exchange as described under “General Information — Listing” will also be published in each of the authorized newspapers, which will be *The Wall Street Journal*, the *Financial Times* and the *Luxemburger Wort*. CODELCO will be deemed to have given such notices on the date of each publication or, if published more than once, on the date of the first publication. Notices may, at CODELCO’s option, be published on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

## **Amendments**

The Fiscal and Paying Agency Agreement may be amended by CODELCO and the Fiscal Agent without the consent of the holders of the notes in certain limited circumstances therein provided. The notes may be amended by CODELCO and the Fiscal Agent without the consent of the holders of notes for the purpose of correcting any manifest error or to change the terms of the notes in any manner which CODELCO deems necessary or desirable and which shall not adversely affect the interests of the holders of outstanding notes in any material respect. 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: (i) to change the definition of Interest Payment Date; (ii) to reduce the principal amount of or the interest rate on any Note; (iii) to change the obligation to pay Additional Amounts or the option to redeem the notes (see “—Payment of Additional Amounts,” and “—Tax Redemption”); (iv) to change the place of payment where, or the coin or currency in which, interest is payable; (v) to impair the right of holders of notes to institute suit for the enforcement of payments of interest; (vi) 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 (vii) 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 (and certain EU related tax consequences) 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 the 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 is subject to change, which may 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, taking into account the application of the tax considerations discussed below to their particular situation, as well as the application of state, local, foreign or other tax laws.

On February 4, 2010, Chile and the United States entered into a tax treaty (the “Treaty”), the application of which is subject to ratification by the competent authorities of both countries before it can enter into effect, and which may apply to income generated in Chile or the United States by a resident of either country. Investors should consult their own advisors regarding the application of the Treaty to their particular circumstances and the date on which a particular Treaty provision will enter into effect.

### **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.” For purposes of this summary, the term “Foreign Holder” means (i) an individual not resident or domiciled in Chile or (ii) a legal entity that is not incorporated under the laws of Chile, unless the notes are assigned to a branch or a permanent establishment of such entity in Chile. For purposes of Chilean taxation, (a) an individual is a resident of Chile if such individual has remained in Chile for more than six months in any calendar year, or for more than six months in total within two consecutive calendar years and (b) an individual is domiciled in Chile if such individual resides in Chile with the intention of remaining in Chile (the intention will be determined according to the circumstances).

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% (the “Chilean Interest Withholding Tax”).

However, the same interest that qualifies for the referenced 4% withholding tax rate is subject to special additional 31% tax rate, with the additional 31% tax imposed on CODELCO, to the extent paid to entities related to the Company on the portion of our indebtedness considered to be excessive (thin capitalization rules). Our indebtedness will be considered to be excessive (“Excessive Indebtedness”) when in the calendar year when the notes are issued the Company has an indebtedness with entities related to CODELCO qualifying for the 4% withholding tax rate that exceeds three times our “net worth” as calculated for Chilean tax purposes. Consequently, such interest paid to entities related to us with respect to debt that exceeds the Excessive Indebtedness will be subject to a 31% surtax.

Under the Excessive Indebtedness rules, a lender or creditor, such as the holder of the notes, will be deemed to be related to the payor or debtor if (i) the lender or creditor is incorporated, domiciled or resident in a tax haven (qualified as such by the Chilean Ministry of Finance, based on the list of harmful preferential tax regimes and tax havens published by the Organization for Economic Co-operation and Development) at the time of granting the loan, (ii) the lender or debtor, directly or indirectly, owns or participates in 10% or more of the capital or the

profits of the other, or if the lender and debtor have a common partner or shareholder which, directly or indirectly, owns or participates in 10% or more of the capital or the profits of both or (iii) the debt is guaranteed directly or indirectly by a third party with cash or cash equivalent securities (excluding the securities evidencing obligations of the borrower with any of its related entities) for the amount effectively guaranteed.

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 any interest or premium 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.”

The Income Tax Law provides 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, 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 should not be subject to any Chilean taxes (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 the 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 0.6% stamp tax, which will be payable by CODELCO.

If the stamp tax is not paid when due, Chile’s 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**

**Pursuant to U.S. Treasury Department Circular 230, holders of notes or prospective purchasers are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by note holders for the purpose of avoiding penalties that may be imposed under the Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) note holders should seek advice based on their particular circumstances from an independent tax advisor.**

This summary of U.S. federal income tax considerations deals principally with U.S. Holders (as defined below) that will hold CODELCO notes as capital assets and whose functional currency is the U.S. 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 certain banks, tax-exempt entities, partnerships (or entities classified as a partnership for U.S. federal income tax purposes) or partners therein, 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 at the notes’ “issue price,” which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money. 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.

Investors should consult their own tax advisors in determining the tax consequences to them of purchasing, owning, and disposing of the notes, including the application in their particular circumstances of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign, or other tax laws and possible changes in tax laws.

### **Tax Consequences to U.S. Holders**

*Taxation of Interest and Additional Amounts.* The gross amount of interest and Additional Amounts (*i.e.*, without reduction for any 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 actually or constructively received in accordance with the holder's method of accounting for U.S. federal income tax purposes.

Subject to generally applicable restrictions and conditions, Chilean Interest Withholding Tax withheld on payments of interest on the notes, or on Additional Amounts, is a foreign income tax eligible (i) for credit against a U.S. Holder's U.S. federal income tax liability, or (ii) at the election of such U.S. Holder, for deduction in computing such U.S. Holder's taxable income provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. Interest and Additional Amounts will constitute income from sources without the United States for foreign tax credit purposes. Such income generally will constitute "passive category income" or, in the case of certain U.S. Holders, "general category 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.

*Taxation of Dispositions.* A U.S. Holder will generally recognize taxable gain or loss upon the sale, exchange, redemption or other taxable disposition of the notes in an amount equal to the difference between the amount realized upon such sale, exchange, redemption or other disposition (reduced by an amount attributable to accrued but unpaid interest and Additional Amounts not previously included in income, which will be taxable in the manner described above under "—Taxation of Interest and Additional Amounts") and such U.S. Holder's adjusted tax basis in those notes. A U.S. Holder's adjusted tax basis in a note will generally equal such U.S. Holder's initial investment in the note. Such gain or loss will be long-term capital gain or loss if the notes are held for more than one year. Under current laws, certain non-corporate U.S. Holders (including individuals) may be eligible for a preferential rate in respect of long-term capital gain. The deduction of capital losses is subject to limitations.

### **Tax Consequences to Non-U.S. Holders**

For purposes of the following discussion a "non-U.S. Holder" means a beneficial owner of the notes that is not, for U.S. federal income tax purposes, a U.S. Holder or a partnership (or an entity or arrangement classified as a partnership for U.S. federal income tax purposes). A non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on:

- interest and Additional Amounts received in respect of the notes, unless those payments are effectively connected with the conduct by the non-U.S. Holder of a trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment) in the United States; or
- gain realized on the sale, exchange, redemption, retirement or other taxable disposition of the notes, unless (i) that gain is effectively connected with the conduct by the non-U.S. Holder of a trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment) in the United States or, (ii) in the case of gain realized by an individual non-U.S. Holder, the non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

## **Information Reporting and Backup Withholding**

Payments of interest and Additional Amounts on the notes and sales or redemption proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) the holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Any amounts withheld under the backup withholding rules from a payment to a holder will be refunded (or credited against such holder's U.S. federal income tax liability, if any), provided the required information is properly furnished to the U.S. Internal Revenue Service.

A non-U.S. Holder generally will not be subject to information reporting or backup withholding, but such a holder may have to comply with certification procedures to establish that it is not a United States person.

## **Certain EU Related Tax Considerations**

Under Council Directive 2003/48/EC (the "Directive") on the taxation of savings income, each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the recipient of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The current rate of withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to an individual beneficial owner resident in, or certain limited types of entity established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in a Member State to an individual beneficial owner resident in, or certain limited types of entity established in, one of those countries or territories.

A proposal for amendments to the Directive has been published, including a number of suggested changes which, if implemented, would broaden the scope of the rules described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment under a note were to be made by a person in a Member State or another country or territory which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to the Directive, neither CODELCO nor any paying agent nor any other person would be obliged to pay Additional Amounts under the terms of such note as a result of the imposition of such withholding tax.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions of the purchase agreement between CODELCO and HSBC Securities (USA) Inc. and J.P. Morgan Securities LLC, the initial purchasers have severally agreed to purchase from the Company the following respective principal amounts of notes listed opposite their name below at the initial offering price set forth on the cover page of this offering memorandum, less discounts and commissions:

| <u>Initial Purchasers</u>       | <u>Principal Amount of<br/>2022 Notes</u> | <u>Principal Amount of<br/>2042 Notes</u> |
|---------------------------------|-------------------------------------------|-------------------------------------------|
| HSBC Securities (USA) Inc.....  | U.S.\$625,000,000                         | U.S.\$375,000,000                         |
| J.P. Morgan Securities LLC..... | 625,000,000                               | 375,000,000                               |
| Total.....                      | <u>U.S.\$1,250,000,000</u>                | <u>U.S.\$750,000,000</u>                  |

The purchase agreement provides that the obligations of the several initial purchasers to purchase the notes offered hereby are subject to certain conditions precedent and that the initial purchasers will purchase all of the notes offered by this offering memorandum if any of these notes are purchased. The initial purchasers may use any of their affiliates to purchase any of the notes.

After the initial offering, the initial purchasers may change the offering price and other selling terms.

CODELCO has agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the initial purchasers may be required to make in respect of any of these liabilities.

The notes have not been registered under the Securities Act. Each initial purchaser has agreed that it will offer or sell the notes only (i) in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act or (ii) in offshore transactions in reliance on Regulation S under the Securities Act. The notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the notes are registered under the Securities Act or an exemption from the registration requirements thereof is available. Resales of the notes are restricted as described under “Transfer Restrictions.”

Until forty (40) days after the later of the commencement of the offering and the closing date, any offer or sale of notes within the United States by a broker-dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act, unless such offer or sale is made pursuant to Rule 144A under the Securities Act or another available exemption from the registration requirements thereof. Terms used above have the meanings given to them by Regulation S and Rule 144A under the Securities Act.

CODELCO has agreed, that for a period of 60 days from the date of the purchase agreement, CODELCO will not, without prior consent of the initial purchasers, offer, sell or contract to sell, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by CODELCO or any affiliate of CODELCO or any person in privity with CODELCO or any of its affiliates), directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by CODELCO (other than the notes).

The notes are a new issue of securities without an established trading market. The notes will be listed only on the Official List of the Luxembourg Stock Exchange. See “General Information—Listing.” The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes or that an active market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

In connection with this offering, HSBC Securities (USA) Inc. or J.P. Morgan Securities LLC, or any person acting for either of them, 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 HSBC Securities (USA) Inc. or J.P. Morgan Securities LLC, or any person acting for either of them, to do this. Such stabilizing, if commenced, may be discontinued at any time.

The initial purchasers and their affiliates have performed certain commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and expenses. The initial purchasers may, from time to time, continue to engage in transactions with and perform services for us in the ordinary course of their business.

Delivery of the notes is expected on or about July 17, 2012, which will be the fifth business day following the date of pricing of the notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade notes on the pricing date or the next succeeding business day should consult their own advisor.

### **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Company or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

### **Notice to Prospective Investors in the United Kingdom**

Each initial purchaser has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and



(b) 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.

### **Notice to Prospective Investors in Hong Kong**

The notes may not be offered or sold in Hong Kong by means of any other document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case 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 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, Laws of Hong Kong) and any rules made thereunder.

### **Notice to Prospective Investors in Japan**

The notes offered in this offering memorandum have not been registered under the Securities and Exchange Law of Japan, and the notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law, and (ii) in compliance with any other applicable requirements of Japanese law.

### **Notice to Prospective Investors in Singapore**

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for 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, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,
- shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:
- to an institutional investor (for corporations, under Section 274 of SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than U.S.\$200,000 (or its equivalent in a foreign currency) for each

transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

#### **Notice to Prospective Investors in Switzerland**

The notes may not and will not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland only on the basis of a non-public offering, and neither this offering memorandum nor any other solicitation for investments in the notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of articles 652a or 1156 of the Swiss Federal Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This offering memorandum may not be copied, reproduced, distributed or passed on to others without the initial purchasers' prior written consent. This offering memorandum is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange and may not comply with the information standards required thereunder. We will not apply for a listing of the notes on any Swiss stock exchange or other Swiss regulated market and this offering memorandum may not comply with the information required under the relevant listing rules. The notes have not been and will not be approved by any Swiss regulatory authority. The notes have not been and will not be registered with or supervised by the Swiss Federal Banking Commission, and have not been and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on investment Funds of March 18, 1994 does not extend to acquirers of the notes.

#### **Notice to Prospective Investors in Chile**

The notes may not be offered or sold in Chile, directly or indirectly, by means of a "Public Offer" (as defined under Law 18.045 and regulations from the SVS). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the notes.

#### **Notice to Prospective Investors in the Republic of China**

Each initial purchaser has agreed that, as part of the distribution of the notes, it has not offered or sold, and will not offer or sell, any note directly or indirectly in the Republic of China; each initial purchaser also understands and has acknowledged that the notes may not be sold to any related person of us (as defined in the Republic of China Statement of Financial Accounting Standards No. 6) or any person listed in Article 36 of the Chinese Securities Association Regulations Governing Underwriting and Resale of Securities by Securities Firms.

## 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;

(5) agree that it is not an “affiliate” (within the meaning of Rule 144 under the Securities Act) of the Bank; and

(6) 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. If any of the acknowledgements, representations or agreements it is deemed to have been made by the purchase of notes is no longer accurate, it will promptly notify CODELCO and the Initial Purchasers.

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(d) 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 AUGUST 26, 2012 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; and
- holders of Notes in certificated form will be able to transfer or exchange their Notes at the offices of the Luxembourg transfer agent.

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

## **INDEPENDENT AUDITORS**

The year-end consolidated financial statements of CODELCO as of December 31, 2009 and 2010 and as of January 1, 2009 and for each of the two years in the period ended December 31, 2010, prepared in accordance with IFRS, except for the subsidiaries Codelco-Kupferhandel GmbH and its subsidiary, Chile Copper Ltd. and its subsidiary and Inca de Oro S.A., Fundación de Salud del Teniente and its subsidiaries and equity-investees Copper Partner Investment Company Ltd., Electroandina S.A. and its subsidiaries, Inversiones Mejillones S.A., Inversiones Tocopilla Ltda., Sociedad Contractual Minera El Abra, E-CL S.A. (formerly Edelnor S.A), Inversiones Tocopilla 2B S.A., and Inversiones Mejillones 2 S.A., included in this offering memorandum, have been audited by Deloitte Auditores y Consultores Ltda., independent auditors as stated in their report appearing herein (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the convenience of the translation of the financial statements into English). The financial statements of the aforementioned subsidiaries and the equity-method investees (none of which are presented separately herein) were audited by other independent auditors.

The consolidated financial statements of CODELCO as of and for the year ended December 31, 2011, included in this offering memorandum, have been audited by Ernst & Young Servicios Profesionales de Auditoria y Asesorias Limitada, independent auditors as stated in their report appearing herein (such free translation report from Spanish to English expresses an unqualified opinion).

## 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.

**Anodic Slime:** A product with a high content of precious metals that settles on the bottom of an electrolytic cell in the copper refinery during the production of copper cathodes. The product is called anode, or anodic, slime due to its muddy appearance. Anode slimes have a high commercial value based on their precious metals content (silver, gold, platinum and palladium).

**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.

**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.

**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.

**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 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 metric 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.

**Slag:** A residue of the smelting process containing iron and other impurities, which the Company disposes of with its other industrial solid waste.

**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 metric 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.

**Tera:** A metric prefix meaning  $10^{12}$ , or one trillion.

**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 exists 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. 1399 dated June 25, 2012 and Resolution No. 1534 dated July 9, 2012.

CODELCO's Board of Directors authorized the issuance of the notes in its ordinary session of June 28, 2012 by means of Reserved Agreement No. 31/2012. 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:

|                                | Common Code | ISIN Number  | CUSIP Number |
|--------------------------------|-------------|--------------|--------------|
| 2022 Notes:                    |             |              |              |
| Rule 144A Global Note .....    | 080532059   | US21987BAQ14 | 21987BAQ1    |
| Regulation S Global Note ..... | 080532075   | USP3143NAP98 | P3143NAP9    |
| 2042 Notes:                    |             |              |              |
| Rule 144A Global Note .....    | 080532091   | US21987BAR96 | 21987BAR9    |
| Regulation S Global Note ..... | 080532113   | USP3143NAQ71 | P3143NAQ7    |

### Listing

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market of 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 and paying agency agreement attaching the forms of the notes;
- CODELCO's Unaudited Interim Consolidated Financial Statements, issued on a quarterly basis;
- CODELCO's statutory documents;
- English translations of the official letter authorizing the incurrence of indebtedness as issued by the Ministry of Finance; 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.

CODELCO will apply to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market of the Luxembourg Stock Exchange in accordance with its rules and regulations. The notes are not yet listed. If any European or national legislation is adopted and is implemented or takes effect in Luxembourg in a manner that would impose requirements on us that CODELCO, in its discretion determines are impracticable or unduly burdensome, CODELCO may de-list the notes. In these circumstances, there can be no assurance that CODELCO 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.”

CODELCO has initially appointed The Bank of New York Mellon (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, and such financial institution has been appointed in such way that the financial service of the notes is ensured in Luxembourg. 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.

#### **Financial Condition**

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



# **CODELCO – CHILE**

**Interim Unaudited Consolidated Financial Statements as of and for the three-month period ended March 31, 2012**

**(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)**

## TABLE OF CONTENTS

### INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(As of and for the three-month period ended as of March 31, 2012)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                                      |             |
|--------------------------------------------------------------------------------------|-------------|
| <b>INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....</b>         | <b>F-4</b>  |
| <b>INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME .....</b>       | <b>F-6</b>  |
| <b>INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS – DIRECT METHOD .....</b> | <b>F-8</b>  |
| <b>INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY .....</b>          | <b>F-9</b>  |
| <b>I. GENERAL INFORMATION.....</b>                                                   | <b>F-11</b> |
| 1. Corporate Information .....                                                       | F-11        |
| 2. Basis of Presentation of the Consolidated Financial Statements .....              | F-12        |
| <b>II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....</b>                          | <b>F-13</b> |
| 1. Significant Accounting Judgments, Estimates and Assumptions.....                  | F-13        |
| 2. Significant Accounting Policies.....                                              | F-16        |
| 3. New Accounting Pronouncements Not Yet Effective.....                              | F-32        |
| <b>III. EXPLANATORY NOTES .....</b>                                                  | <b>F-35</b> |
| 1. Cash and cash equivalents .....                                                   | F-35        |
| 2. Trade and other receivables.....                                                  | F-35        |
| 3. Related Party Disclosures .....                                                   | F-37        |
| 4. Inventories.....                                                                  | F-44        |
| 5. Deferred taxes and income taxes.....                                              | F-45        |
| 6. Current tax assets and liabilities .....                                          | F-47        |
| 7. Non-current assets classified as held for sale .....                              | F-48        |
| 8. Property, plant and equipment .....                                               | F-48        |
| 9. Investments accounted for using the equity method .....                           | F-51        |
| 10. Subsidiaries .....                                                               | F-58        |
| 11. Other non-current non-financial assets .....                                     | F-59        |
| 12. Current and non-current financial assets .....                                   | F-60        |

|                                                             |       |
|-------------------------------------------------------------|-------|
| 13. Interest-bearing borrowings.....                        | F-61  |
| 14. Fair Value of financial assets and liabilities .....    | F-68  |
| 15. Fair value hierarchy .....                              | F-68  |
| 16. Trade and other payables .....                          | F-69  |
| 17. Other provisions .....                                  | F-70  |
| 18. Employee benefits.....                                  | F-71  |
| 19. Net equity .....                                        | F-72  |
| 20. Operating income.....                                   | F-74  |
| 21. Expenses by nature .....                                | F-74  |
| 22. Other revenues and expenses by function .....           | F-75  |
| 23. Finance costs .....                                     | F-76  |
| 24. Operating segments.....                                 | F-76  |
| 25. Foreign exchange differences, net .....                 | F-84  |
| 26. Statement of cash flows .....                           | F-84  |
| 27. Financial risk management, objectives and policies..... | F-85  |
| 28. Derivatives contracts .....                             | F-90  |
| 29. Contingencies and restrictions .....                    | F-92  |
| 30. Guarantees .....                                        | F-97  |
| 31. Balances in foreign currency .....                      | F-99  |
| 32. Sanctions .....                                         | F-104 |
| 33. Subsequent events.....                                  | F-104 |
| 34. Environmental Expenditures.....                         | F-106 |



**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of March 31, 2012 and December 31, 2011  
(In thousands of US dollars - ThUS\$)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                              | Notes | 3/31/2012         | 12/31/2011        |
|--------------------------------------------------------------|-------|-------------------|-------------------|
| <b>Assets</b>                                                |       |                   |                   |
| <b>Current Assets</b>                                        |       |                   |                   |
| Cash and cash equivalents                                    | 1     | 1,201,781         | 1,382,876         |
| Other current financial assets                               | 12    | 163,930           | 193,237           |
| Other currents non-financial assets                          |       | 47,349            | 36,413            |
| Trade and other current receivables                          | 2     | 1,971,920         | 1,968,269         |
| Accounts receivables due from related companies, current     | 3     | 42,495            | 56,357            |
| Inventory                                                    | 4     | 2,333,295         | 2,014,838         |
| Current tax assets                                           | 6.a   | 269,564           | 254,930           |
| <b>Total current assets</b>                                  |       | <b>6,030,334</b>  | <b>5,906,920</b>  |
| <b>Non-current assets</b>                                    |       |                   |                   |
| Other non-current financial assets                           | 12    | 142,891           | 102,593           |
| Other non-current non-financial assets                       | 11    | 207,357           | 203,950           |
| Non-current receivables                                      | 2     | 142,465           | 132,721           |
| Accounts receivables due from related companies, non-current | 3     | 75,738            | 75,860            |
| Investment accounted for using the equity method             | 9     | 1,012,049         | 945,055           |
| Intangible assets other than goodwill                        |       | 12,664            | 12,292            |
| Property, Plant and Equipment, net                           | 8     | 13,656,757        | 13,437,764        |
| Investment property                                          |       | 17,789            | 17,789            |
| <b>Total non-current assets</b>                              |       | <b>15,267,710</b> | <b>14,928,024</b> |
| <b>TOTAL ASSETS</b>                                          |       | <b>21,298,044</b> | <b>20,834,944</b> |

The accompanying notes form an integral part of these interim unaudited consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of March 31, 2012 and December 31, 2011

(In thousands of US dollars - ThUS\$)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                     | Notes | 3/31/2012         | 12/31/2011        |
|-----------------------------------------------------|-------|-------------------|-------------------|
| <b>Liabilities and Equity</b>                       |       |                   |                   |
| <b>Liabilities</b>                                  |       |                   |                   |
| <b>Current liabilities</b>                          |       |                   |                   |
| Other current financial liabilities                 | 13    | 1,587,673         | 1,643,424         |
| Trade and other current payables                    | 16    | 1,662,298         | 1,782,459         |
| Accounts payables to related companies, current     | 3     | 109,628           | 126,850           |
| Other current provisions                            | 17    | 188,175           | 210,514           |
| Current tax liabilities                             | 6.b   | 407,594           | 137,267           |
| Current employee benefit accruals                   | 17    | 288,106           | 459,251           |
| Other current non- financial liabilities            |       | 62,249            | 56,317            |
| <b>Total current liabilities</b>                    |       | <b>4,305,723</b>  | <b>4,416,082</b>  |
| <b>Non-current liabilities</b>                      |       |                   |                   |
| Other non-current financial liabilities             | 13    | 6,420,208         | 6,395,154         |
| Other non-current payables                          |       | 326               | 319               |
| Accounts payables to related companies, non-current | 3     | 299,443           | 308,616           |
| Other non-current provisions and accrued expenses   | 17    | 995,124           | 1,013,441         |
| Deferred tax liabilities                            | 5     | 1,608,097         | 1,540,242         |
| Non-current employee benefit accruals               | 17    | 1,129,303         | 1,092,966         |
| Other non-current non-financial liabilities         |       | 3,679             | 3,094             |
| <b>Total non-current liabilities</b>                |       | <b>10,456,180</b> | <b>10,353,832</b> |
| <b>Total liabilities</b>                            |       | <b>14,761,903</b> | <b>14,769,914</b> |
| <b>Equity</b>                                       |       |                   |                   |
| Issued Capital                                      |       | 2,524,423         | 2,524,423         |
| Retained earnings                                   |       | 2,163,286         | 1,709,068         |
| Other Reserves                                      | 19    | 1,846,106         | 1,829,519         |
| <b>Equity attributable to owners of the parent</b>  |       | <b>6,533,815</b>  | <b>6,063,010</b>  |
| Non-controlling interests                           | 19    | 2,326             | 2,020             |
| <b>Total equity</b>                                 |       | <b>6,536,141</b>  | <b>6,065,030</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                 |       | <b>21,298,044</b> | <b>20,834,944</b> |

The accompanying notes form an integral part of these interim unaudited consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the three-month periods ended as of March 31, 2012 and 2011

(In thousands of US dollars - ThUS\$)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                                        | Notes | ACCUMULATED           |                       |
|----------------------------------------------------------------------------------------|-------|-----------------------|-----------------------|
|                                                                                        |       | 1/1/2012<br>3/31/2012 | 1/1/2011<br>3/31/2011 |
| <b>Profit (loss)</b>                                                                   |       |                       |                       |
| <b>Revenue</b>                                                                         | 20    | 3,963,855             | 4,304,946             |
| <b>Cost of sales</b>                                                                   |       | (2,374,091)           | (2,342,924)           |
| <b>Gross profit</b>                                                                    |       | <b>1,589,764</b>      | <b>1,962,022</b>      |
| Other Income, by function                                                              | 22.a  | 25,568                | 505,952               |
| Distribution costs                                                                     |       | (3,533)               | (3,262)               |
| Administrative expenses                                                                |       | (112,103)             | (96,403)              |
| Other expenses                                                                         | 22.b  | (352,329)             | (437,737)             |
| Other gains (losses)                                                                   |       | 8,504                 | 10,241                |
| <b>Profit (losses) from operating activities</b>                                       |       | <b>1,155,871</b>      | <b>1,940,813</b>      |
| Finance income                                                                         |       | 10,129                | 9,548                 |
| Finance costs                                                                          | 23    | (69,594)              | (75,682)              |
| Share of profit of associates and joint ventures accounted for using the equity method | 9     | 116,129               | 14,840                |
| Foreign exchange differences                                                           | 25    | (72,971)              | 78,281                |
| <b>Profit for the period before tax</b>                                                |       | <b>1,139,564</b>      | <b>1,967,800</b>      |
| Income tax expense                                                                     | 5     | (683,739)             | (1,225,229)           |
| <b>Profit for the period from continuing operations</b>                                |       | <b>455,825</b>        | <b>742,571</b>        |
| <b>Profit for the period</b>                                                           |       | <b>455,825</b>        | <b>742,571</b>        |
| Profit (loss) attributable to:                                                         |       |                       |                       |
| Profit attributable to owners of the parent                                            |       | 456,024               | 742,872               |
| Loss attributable to non-controlling interests                                         | 19.b  | (199)                 | (301)                 |
| <b>Profit for the period</b>                                                           |       | <b>455,825</b>        | <b>742,571</b>        |

The accompanying notes form an integral part of these interim unaudited consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUATION)**

For the three-month periods ended as of March 31, 2012 and 2011

(In thousands of US dollars - ThUS\$)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                                                                   | Notes | 1/1/2012<br>3/31/2012 | 1/1/2011<br>3/31/2011 |
|-------------------------------------------------------------------------------------------------------------------|-------|-----------------------|-----------------------|
| Profit for the period                                                                                             |       | 455,825               | 742,571               |
| <b>Components of other comprehensive income (loss), before tax:</b>                                               |       |                       |                       |
| <b>Exchange differences on conversion</b>                                                                         |       |                       |                       |
| Gain (loss) on exchange differences on conversion, before tax                                                     |       | 912                   | 179                   |
| Other comprehensive income, before tax, exchange differences on conversion                                        |       | 912                   | 179                   |
| <b>Cash flow hedges</b>                                                                                           |       |                       |                       |
| Gain (loss) on cash flow hedges, before tax                                                                       |       | 46,924                | 278,885               |
| Other comprehensive income before tax, exchange differences on conversion                                         |       | 46,924                | 278,885               |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method |       | (2,042)               | 48,872                |
| Other comprehensive income (loss) before tax                                                                      |       | 45,794                | 327,936               |
| <b>Income tax related to components of other comprehensive income:</b>                                            |       |                       |                       |
| Income tax related to cash flow hedges of other comprehensive income                                              | 5     | (29,207)              | (158,964)             |
| Aggregated income tax related to components of other comprehensive income                                         |       | (29,207)              | (158,964)             |
| <b>Other comprehensive income (loss)</b>                                                                          |       | <b>16,587</b>         | <b>168,972</b>        |
| <b>Total comprehensive income</b>                                                                                 |       | <b>472,412</b>        | <b>911,543</b>        |
| <b>Comprehensive income attributable to</b>                                                                       |       |                       |                       |
| Comprehensive income attributable to owners of the parent                                                         |       | 472,611               | 911,844               |
| Comprehensive income attributable to non-controlling interests                                                    | 19.b  | (199)                 | (301)                 |
| <b>Total comprehensive income</b>                                                                                 |       | <b>472,412</b>        | <b>911,543</b>        |

The accompanying notes form an integral part of these interim unaudited consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS – DIRECT METHOD**

For the three-month periods ended as of March 31, 2012 and 2011

(In thousands of US dollars - ThUS\$)

(Translation to English of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                                         | Notes | 1/1/2012<br>3/31/2012 | 1/1/2011<br>3/31/2011 |
|-----------------------------------------------------------------------------------------|-------|-----------------------|-----------------------|
| <b>Cash flow provided by (used in) operating activities:</b>                            |       |                       |                       |
| Cash receipts provided by operating activities                                          |       |                       |                       |
| Cash flows provided by sales of goods and rendering of services                         |       | 4,278,925             | 5,361,864             |
| Other cash flows provided by operating activities                                       | 26    | 512,894               | 936,642               |
| Types of cash payments                                                                  |       |                       |                       |
| Payments to suppliers for goods and services                                            |       | (2,411,677)           | (2,661,833)           |
| Payments to and on behalf of employees                                                  |       | (557,635)             | (753,783)             |
| Other cash flows used in operating activities                                           | 26    | (927,886)             | (1,035,112)           |
| Dividends received                                                                      |       | 35,910                | 1,361                 |
| Income taxes paid                                                                       |       | (403,767)             | (1,030,810)           |
| Net cash flows provided by operating activities                                         |       | <b>526,764</b>        | <b>818,329</b>        |
| <b>Cash flows provided by (used in) investing activities:</b>                           |       |                       |                       |
| Other cash flows provided by the sales of joint ventures                                | 26    | -                     | 1,088,351             |
| Purchases of property plant and equipment                                               |       | (693,218)             | (646,529)             |
| Collections from related Companies                                                      |       | 16,650                | -                     |
| Interest received                                                                       |       | 7,164                 | 6,418                 |
| Other inflows (outflows) of cash                                                        |       | 73,096                | 49,834                |
| Net cash flows from (used in) investing activities                                      |       | <b>(596,308)</b>      | <b>498,074</b>        |
| <b>Cash flows used in financing activities:</b>                                         |       |                       |                       |
| Proceeds from current borrowings                                                        |       | 203,636               | 100,000               |
| Repayments of borrowings                                                                |       | (204,276)             | (350)                 |
| Dividends paid                                                                          |       | -                     | (181,644)             |
| Interest paid                                                                           |       | (110,911)             | (86,154)              |
| Net cash flows used in financing activities                                             |       | <b>(111,551)</b>      | <b>(168,148)</b>      |
| Net increase (decrease) in cash and cash equivalents before foreign exchange difference |       | <b>(181,095)</b>      | <b>1,148,255</b>      |
| Net increase (decrease) in cash and cash equivalents                                    |       | <b>(181,095)</b>      | <b>1,148,255</b>      |
| Cash and cash equivalents at beginning of period                                        | 1     | 1,382,876             | 874,039               |
| Cash and cash equivalents at end of period                                              | 1     | 1,201,781             | 2,022,294             |

The accompanying notes form an integral part of these interim unaudited consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the three-month periods ended as of March 31, 2012 and 2011

(In thousands of US dollars - ThUS\$)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

|                                       |                                                         | 3/31/2012      |                                     |                         |                              |                                 |                               |
|---------------------------------------|---------------------------------------------------------|----------------|-------------------------------------|-------------------------|------------------------------|---------------------------------|-------------------------------|
| Item                                  |                                                         | Issued Capital | Foreign currency conversion reserve | Cash flow hedge reserve | Other miscellaneous reserves | Total other reserves<br>Note 19 | Accumulated Retained earnings |
| <b>Initial Balance as of 1/1/2012</b> |                                                         | 2,524,423      | 283                                 | (272,349)               | 2,101,585                    | 1,829,519                       | 1,709,068                     |
| Changes in equity                     |                                                         |                |                                     |                         |                              |                                 |                               |
|                                       | Profit for the period                                   |                |                                     |                         |                              |                                 | 456,024                       |
|                                       | Other comprehensive income ( loss)                      |                | 912                                 | 17,717                  | (2,042)                      | 16,587                          |                               |
|                                       | Comprehensive income                                    |                |                                     |                         |                              |                                 |                               |
|                                       | Dividends Paid                                          |                |                                     |                         |                              |                                 | -                             |
|                                       | Increase (decrease) through transfers and other changes | -              | -                                   | -                       | -                            | -                               | (1,806)                       |
| Total increase (decrease) in equity   |                                                         | -              | 912                                 | 17,717                  | (2,042)                      | 16,587                          | 454,218                       |
| <b>Final Balance as of 3/31/2012</b>  |                                                         | 2,524,423      | 1,195                               | (254,632)               | 2,099,543                    | 1,846,106                       | 2,163,286                     |

The accompanying notes form an integral part of these interim unaudited consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**INTERIM UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the three-month periods ended as of March 31, 2012 and 2011

(In thousands of US dollars - ThUS\$)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

|                                     |                                                         |                                    | 3/31/2011      |                                     |                         |                              |                                 |                               |                   |
|-------------------------------------|---------------------------------------------------------|------------------------------------|----------------|-------------------------------------|-------------------------|------------------------------|---------------------------------|-------------------------------|-------------------|
| Item                                |                                                         |                                    | Issued Capital | Foreign currency conversion reserve | Cash flow hedge reserve | Other miscellaneous reserves | Total other reserves<br>Note 19 | Accumulated Retained earnings | Equity to ow<br>r |
| Initial Balance as of 1/1/2011      |                                                         |                                    | 2,524,423      | 2,916                               | (969,571)               | 1,642,058                    | 675,403                         | 1,329,392                     |                   |
| Changes in equity                   |                                                         |                                    |                |                                     |                         |                              |                                 |                               |                   |
|                                     |                                                         | Profit for the period              |                |                                     |                         |                              |                                 | 742,872                       |                   |
|                                     |                                                         | Other comprehensive income ( loss) |                | 179                                 | 119,921                 | 48,872                       | 168,972                         |                               |                   |
|                                     |                                                         | Comprehensive income               |                |                                     |                         |                              |                                 |                               |                   |
|                                     | Dividends Paid                                          |                                    |                |                                     |                         |                              |                                 | (576,541)                     |                   |
|                                     | Increase (decrease) through transfers and other changes |                                    | -              | -                                   | -                       | (1,072)                      | (1,072)                         | (13,290)                      |                   |
| Total increase (decrease) in equity |                                                         |                                    | -              | 179                                 | 119,921                 | 47,800                       | 167,900                         | 153,041                       |                   |
| Final Balance as of 3/31/2011       |                                                         |                                    | 2,524,423      | 3,095                               | (849,650)               | 1,689,858                    | 843,303                         | 1,482,433                     |                   |

The accompanying notes form an integral part of these interim unaudited consolidated financial statements.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **I. GENERAL INFORMATION**

##### **1. Corporate Information**

Corporación Nacional del Cobre de Chile, Codelco (hereinafter referred to as “Codelco - Chile”, the “Corporation”), is the largest copper producer in the world. Its most important product is refined copper - primarily in the form of cathodes. The Corporation also produces copper concentrates, blister and anode copper and by-products such as molybdenum, anode slime and sulfuric acid. Codelco also manufactures wire rods in Germany, a semi-manufactured product that uses copper cathodes as raw material.

The Corporation trades its products based on a policy with the objective of selling refined copper to manufacturers or producers of semi-manufactured products.

These products contribute to diverse fields of community development, particularly those intended to improve areas such as public health, energy efficiency, and sustainable development, among others.

Codelco is registered under Securities Registry No. 785 of the Chilean Superintendency of Securities and Insurance (the “SVS”) and is subject to the supervision of said SVS. According to Article 10 of Law No. 20,392 (on the new Corporate Governance of Codelco), such supervision will be on the same terms as publicly traded companies, notwithstanding the provisions in Decree Law (D.L.) No. 1,349 of 1976, which created the Comisión Chilena del Cobre (“Chilean Copper Commission”).

Codelco’s head office is located in Santiago, Chile, at 1270 Huérfanos, telephone number (56 2) 6903000.

Codelco Chile was formed as stipulated by D.L. No. 1,350 of 1976, which is the statutory decree of the Corporation. In accordance with the statutory decree, Codelco is a state-owned mining, industrial and commercial company, which is a separate legal entity with its own equity. Codelco - Chile currently carries out its mining business through its divisions Chuquicamata, Radomiro Tomic, Salvador, Andina, El Teniente and Ventanas. Also, in May 2008, Codelco - Chile started exploiting the deposit known as Gabriela Mistral, whose mining operations are the responsibility of its subsidiary Minera Gaby SpA., a wholly owned subsidiary of the Corporation. In 2010 the Corporation was authorized by the Board of Directors of the Corporation to invest in the operation of the new division Ministro Hales Mine, whose estimated initial operating date is at the end of 2013. The Corporation also carries out similar activities in other mining deposits in association with third parties.

In accordance with letter e) of Article 10 of Law No. 20,392, Codelco is governed by its organic standards set forth in Decree Law No. 1,350 (D.L. No. 1,350) and that of its statutes, and in matters not covered by them and, insofar as they are compatible and do not go against the provisions of these rules, the rules that govern publicly traded companies and the common laws as applicable to them.



## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

In accordance with D.L. No. 1,350 Section IV related to the Company's Exchange and Budget Regulations, 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 tax system applicable to Codelco's income is in accordance with Article 26 of D. L. No. 1,350, which refers to Decree Laws No. 824 on Income Tax of 1974 and Decree Law No. 2,398 (Article 2) of 1978, which are applicable. The Corporation's income is also subject to a tax in accordance with Law No. 20,026 of 2005 (Specific Mining Tax).

The Corporation is subject to Law No. 13,196, which mandates the payment of a 10% tax over the foreign currency return on the export value of copper production, including its by-products.

The subsidiaries whose financial statements are included in these consolidated financial statements correspond to companies located in Chile and abroad, which are detailed in Note 2 d of Section II to the Summary Of Significant Accounting Policies.

The associates correspond to companies located in Chile and abroad, which are detailed in the Explanatory Notes Section III Note 9.

## **2. Basis of Presentation of the Consolidated Financial Statements**

The Corporation's interim consolidated financial statements are stated in thousands of US dollars and were prepared based on the accounting records maintained by Codelco - Chile and its subsidiaries, and have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter "IASB").

### **Responsibility for the Information and Use of Estimates**

The Board of Directors of the Corporation has been informed of the information included in these interim financial statements and expressly states its responsibility for the consistent and reliable nature of the information included in the interim consolidated financial statements as of March 31, 2012, for the effects of which IFRS principles issued by the International Accounting Standards Board have been applied in full. The March 31, 2012 interim consolidated financial statements were approved by the Board of Directors in the meeting on May 23, 2012. The December 31, 2011 consolidated financial statements were approved by the Corporation's Board of Directors on March 22, 2012.

### **Accounting Principles**

These interim consolidated financial statements reflect the financial position of Codelco Chile and its subsidiaries as of March 31, 2012 and December 31, 2011, the results of their operations, the changes in net equity and cash flows for periods ended March 31, 2012 and 2011, and their related notes, all of which have been prepared and presented in accordance with IAS 34 "Presentation of interim Financial

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

Reporting” which considers the respective regulations of the Chilean Superintendency of Securities and Insurance (“SVS”), and do not conflict with IFRS.

For the convenience of the reader, these consolidated financial statements and their accompanying notes have been translated from Spanish to English.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these interim consolidated financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the amounts of assets and liabilities recognized as of the date of financial statements and the amounts of income and expenses during the reporting period. It also requires the Corporation’s management to exercise its judgment in the process of applying the Corporation’s accounting principles. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as follows:

- a) **Useful Economic Lives and Residual Values of Property, Plant and Equipment** - The useful lives and residual values of property, plant and equipment assets that are used for calculating the depreciation are determined based on technical studies prepared by specialists (both internal and external). When there are indicators that could lead to changes in the estimated useful lives of such assets, these changes are determined by using technical estimates considering specific factors related to the use of the assets.

The studies consider specific factors related to the use of assets.

- b) **Ore Reserves** - The measurements of ore reserves are based on estimates of the ore resources that are economically exploitable, and reflect the technical considerations of the Corporation regarding the amount of resources that could be exploited and sold at prices exceeding the total cost associated with the extraction and processing.

The Corporation applies judgment in determining the ore reserves, and as such, possible changes in these estimates could significantly impact the estimates of net revenues over time. For such reason, these changes would lead to modifications in the usage estimates of certain assets and of the amount of certain decommissioning and restoration costs.

The Corporation estimates its reserves and mineral resources based on the information composed by the Competent Persons of the Corporation, defined and regulated by the Chilean Law N° 20.235. The estimations are based on the JORC (Joint Ore Reserves Committee) methodology, taking into

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

consideration the historical information of the cost of goods sold and copper prices at an international market.

The Corporation also periodically reviews such estimates, supported by world-class external experts, who certify the determined reserves.

- c) Impairment of Assets** - The Corporation reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss with regard to the carrying amount. In the evaluation of impairment, the assets are grouped into cash generating units ("CGU's") to which the assets belong. The recoverable amount of these assets or CGU's is calculated as the present value of the cash flows expected to be derived from such assets, considering a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of the assets is less than their carrying amount, an impairment loss exists.

The Corporation defines the CGUs and also estimates the timing and cash flows that such CGUs should generate. Subsequent changes in the grouping of the CGU, or changes in the assumptions supporting the estimates of cash flows or the discount rate, could impact the carrying amounts of the corresponding assets.

The Corporation has assessed and defined that the CGUs are constituted at the level of each of its current operating divisions.

The review for impairment includes subsidiaries and associates.

- d) Provisions for Decommissioning and Site Restoration Costs** - An obligation to incur in decommissioning and site restoration costs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan and are reassessed annually or as of the date such obligations become known.

The provision as of a reporting date represents management's best estimate of the present value of the future decommissioning and site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment. Any reduction in the decommissioning and site restoration liability and therefore any deduction from the decommissioning and site restoration asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the decommissioning and site restoration liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

IAS 36. If the revised asset net of decommissioning and site restoration provisions exceeds the recoverable value, that portion of the increase is charged directly to profit or loss statement. Any decommissioning and site restoration costs that arose as a result of the production phase of a mine, should be expensed as incurred.

The costs arising from the installation of a plant or other site preparation projects are discounted at net present value, provided for and capitalized at the beginning of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged to net income over the life of the mine, through depreciation of the asset. The depreciation is included in operating costs, while the unwinding of the discount in the provision is included in finance costs.

- e) Accrual for Employee Benefits** - Employee benefits costs for severance payments and health benefits for services rendered by the employees are determined based on actuarial calculations using the Projected Credit Unit Method, and are charged to profit or loss on an accrual basis.

The Corporation uses assumptions to determine the best estimate for these benefits. Such estimates, as well as assumptions, are determined together with an external actuary. These assumptions include demographic assumptions, mortality and morbidity, discount rate and expected salary increases and rotation levels, among other factors. Although the Corporation believes that the assumptions used are appropriate, a change in these assumptions could affect net income.

- f) Accruals for Open Invoices** - The Corporation uses information on future copper prices, through which it recognizes adjustments to its revenues and trade receivables, due to the conditions of its provisional invoicing. These adjustments are updated on a monthly basis and the accounting principle on “Revenue recognition” is referred to in letter q) of the section 2 “Significant accounting policies” of the current document.

- g) Fair Value of Derivatives and Other Instruments** - Management may use its judgment to choose an adequate and proper valuation method for the instruments that are not quoted in an active market. The Corporation applies customary valuation techniques used by other professionals in the industry. In the case of derivative financial instruments, assumptions are based on the observable market inputs, adjusted in conformity with the specific features of the instruments.

- h) Lawsuits and Contingencies** - The Corporation assesses the probability of lawsuits and contingency losses on an ongoing basis according to estimates performed by its legal advisors. For cases in which management and the Corporation’s legal advisors believe that a favorable outcome will be obtained or when the results are uncertain and the lawsuits are still pending resolution, no provisions are recognized.

Although these above-mentioned estimates have been made based on the best information available as of the date of issuance of these interim consolidated financial statements, it is possible that future developments may force the Corporation to modify these estimates in upcoming periods. Such

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

modifications, if occurred, would be adjusted prospectively, recognizing the effects of the change in estimate on the corresponding future consolidated financial statements, as required by IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

## 2. Significant accounting policies

a) **Period covered** - The accompanying interim consolidated financial statements of Corporación Nacional del Cobre de Chile include:

- Statements of Financial Position as of March 31, 2012 and December 31, 2011.
- Statements of Comprehensive Income for the three-month periods ended as of March 31, 2012 and 2011.
- Statements of Changes in Equity for the three-month periods ended as of March 31, 2012 and 2011.
- Statements of Cash Flows for the three-month periods ended as of March 31, 2012 and 2011.

b) **Basis of Preparation** - The interim consolidated financial statements of the Corporation for the period ended as of March 31, 2012 have been prepared in conformity with IFRS, as issued by the IASB.

The consolidated statement of financial position as of December 31, 2011 and the statements of comprehensive income, of net equity and of cash flows for the three-month period ended March 31, 2011, included for comparative purposes, have been prepared in conformity with IFRS, on a consistent basis with the criteria used by the Corporation for the same period ended March 31, 2012.

These interim consolidated financial statements have been prepared based on the accounting records kept by the Corporation.

c) **Functional Currency** - The functional currency of Codelco is the US dollar, which is the currency of the primary economic environment in which the Corporation operates and the currency in which it receives its revenues. Transactions other than those in the Corporation's functional currency are translated at the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at closing exchange rates. Gains and losses from foreign currency conversion are included in the period profit or loss within the line item “Foreign Exchange differences”.

The presentation currency of the interim consolidated financial statements of Codelco is the US dollar.

The functional currency of subsidiaries, associates and joint ventures, likewise corresponds to the currency of the primary economic environment in which those entities operate and the currency in which they receive their revenues, as established in IAS 21. However, regarding those subsidiaries and associates that correspond only to an extension of the operations of Codelco (entities that are

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

not self-sufficient and whose main transactions are performed with Codelco), the functional currency is also the US dollar, as this is the functional currency of Codelco.

When the indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions under which each entity operates.

- d) Basis of Consolidation** - The consolidated financial statements incorporate the financial statements of the Corporation and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In the consolidation process, all significant balances and transactions between the consolidated companies have been fully eliminated, and the equity share of non-controlling interests has been recognized and presented as “Non-controlling Interests”. The consolidated financial statements take into account the elimination of intercompany balances, transactions and unrealized profit and loss between the consolidated companies, including foreign and local subsidiaries. The Companies incorporated in the consolidation are detailed as follows:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| Taxpayer Number | Company                                               | Country                  | Functional Currency | 3/31/2012               |          |         | 12/31/2011                    |
|-----------------|-------------------------------------------------------|--------------------------|---------------------|-------------------------|----------|---------|-------------------------------|
|                 |                                                       |                          |                     | Entity Share Percentage |          |         | Entity Share Percentage Total |
|                 |                                                       |                          |                     | Direct                  | Indirect | Total   |                               |
| Foreign         | Chile Copper Limited                                  | England                  | GBP                 | 100.000                 | -        | 100.000 | 100.000                       |
| Foreign         | Codelco Services Limited                              | England                  | GBP                 | -                       | 100.000  | 100.000 | 100.000                       |
| Foreign         | Codelco Group Inc.                                    | United States of America | USD                 | 100.000                 | -        | 100.000 | 100.000                       |
| Foreign         | Codelco Metals Inc.                                   | United States of America | USD                 | -                       | 100.000  | 100.000 | 100.000                       |
| Foreign         | Codelco USA Inc.                                      | United States of America | USD                 | -                       | 100.000  | 100.000 | 100.000                       |
| Foreign         | Codelco International Limited                         | Bermuda                  | USD                 | 100.000                 | -        | 100.000 | 100.000                       |
| Foreign         | Codelco Technologies Ltd.                             | Bermuda                  | USD                 | -                       | 100.000  | 100.000 | 100.000                       |
| Foreign         | Codelco do Brasil Mineracao                           | Brazil                   | BRL                 | -                       | 100.000  | 100.000 | 100.000                       |
| Foreign         | Codelco Kupferhandel GmbH                             | Germany                  | EURO                | 100.000                 | -        | 100.000 | 100.000                       |
| Foreign         | Metall Agentur GmbH                                   | Germany                  | EURO                | -                       | 100.000  | 100.000 | 100.000                       |
| Foreign         | Ecometales Limited                                    | Anglonormandars          | USD                 | -                       | 100.000  | 100.000 | 100.000                       |
| Foreign         | Codelco Shanghai Company Limited                      | China                    | USD                 | 100.000                 | -        | 100.000 | 100.000                       |
| 76.561.210-1    | Mining Information Communications and Monitoring S.A. | Chile                    | USD                 | 66.000                  | -        | 66.000  | 66.000                        |
| 78.712.170-5    | Compañía Minera Picacho (SCM)                         | Chile                    | USD                 | 99.990                  | 0.010    | 100.000 | 100.000                       |
| 78.860.780-6    | Compañía Contractual Minera los Andes                 | Chile                    | USD                 | 99.970                  | 0.030    | 100.000 | 100.000                       |
| 79.566.720-2    | Isapre Chuquicamata Ltda.                             | Chile                    | CLP                 | 98.300                  | 1.700    | 100.000 | 100.000                       |
| 81.767.200-0    | Asociacion Garantizadora de Pensiones                 | Chile                    | CLP                 | 96.690                  | -        | 96.690  | 96.690                        |
| 88.497.100-4    | Clínica San Lorenzo Limitada                          | Chile                    | CLP                 | 99.900                  | 0.100    | 100.000 | 99.900                        |
| 76.521.250-2    | San Lorenzo Institución de Salud Previsional Ltda.    | Chile                    | CLP                 | -                       | 99.900   | 99.900  | 99.900                        |
| 89.441.300-K    | Isapre Río Blanco Ltda.                               | Chile                    | CLP                 | 99.990                  | 0.010    | 100.000 | 100.000                       |
| 96.817.780-K    | Ejecutora Hospital del Cobre Calama S.A.              | Chile                    | USD                 | 99.990                  | 0.010    | 100.000 | 100.000                       |
| 96.819.040-7    | Complejo Portuario Mejillones S.A.                    | Chile                    | USD                 | 99.990                  | 0.010    | 100.000 | 100.000                       |
| 96.854.500-0    | Instituto de Innovación en Minería y Metalurgia S.A.  | Chile                    | USD                 | 99.930                  | -        | 99.930  | 99.930                        |
| 96.876.140-4    | Santiago de Río Grande S.A.                           | Chile                    | USD                 | 99.990                  | 0.010    | 100.000 | 100.000                       |
| 96.991.180-9    | Biosigma S.A.                                         | Chile                    | USD                 | 66.670                  | -        | 66.670  | 66.670                        |
| 99.569.520-0    | Exploraciones Mineras Andinas S.A.                    | Chile                    | USD                 | 99.900                  | 0.100    | 100.000 | 100.000                       |
| 99.573.600-4    | Clinica Río Blanco S.A.                               | Chile                    | CLP                 | 99.000                  | 1.000    | 100.000 | 100.000                       |
| 76.064.682-2    | Centro de Especialidades Médicas Río Blanco Ltda.     | Chile                    | CLP                 | 99.000                  | 1.000    | 100.000 | 100.000                       |
| 76.152.363-5    | Minera Gaby SpA                                       | Chile                    | USD                 | 99.900                  | 0.100    | 100.000 | 100.000                       |
| 77.773.260-9    | Sociedad de Inversiones Copperfield Ltda.             | Chile                    | USD                 | 99.990                  | 0.010    | 100.000 | 100.000                       |
| 76.883.610-8    | Energía Minera S.A.                                   | Chile                    | USD                 | 99.000                  | 1.000    | 100.000 | 100.000                       |
| 76.043.396-9    | Innovaciones en Cobre S.A                             | Chile                    | USD                 | 0.100                   | 99.900   | 100.000 | 100.000                       |
| 76.082.774-6    | Inversiones Tocopilla 2B S.A.                         | Chile                    | USD                 | 99.990                  | 0.010    | 100.000 | 100.000                       |
| 76.148.338-2    | Sociedad de Procesamiento de Molibdeno Ltda.          | Chile                    | USD                 | 99.900                  | 0.100    | 100.000 | 100.000                       |
| 76.082.158-6    | Inversiones Mejillones 2 S.A.                         | Chile                    | USD                 | 34.800                  | 65.200   | 100.000 | 100.000                       |
| 76.167.903-1    | Inversiones Mineras Acrux SpA.                        | Chile                    | USD                 | 100.000                 | -        | 100.000 | 100.000                       |
| 76.173.357-5    | Inversiones Gacrux SpA.                               | Chile                    | USD                 | -                       | 100.000  | 100.000 | 100.000                       |
| 76.173.783-K    | Inversiones Mineras Becrux Limitada                   | Chile                    | USD                 | -                       | 100.000  | 100.000 | 100.000                       |
| 76.124.156-7    | Centro de Especialidades Médicas San Lorenzo Ltda.    | Chile                    | USD                 | -                       | 100.000  | 100.000 | 100.000                       |
| 70.905.700-6    | Fusat (Special Purpose Entity)                        | Chile                    | CLP                 | -                       | -        | -       | -                             |

For the purposes of these interim consolidated financial statements, subsidiaries, associates, acquisitions and disposals and joint ventures are defined as follows:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

- **Subsidiaries** - A subsidiary is an entity over which the Corporation has power to govern its operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all assets, liabilities, revenues, expenses and cash flows of Codelco and its subsidiaries, after eliminating all inter-company balances and transactions. For partially owned subsidiaries, the net assets and net earnings attributable to non-controlling shareholders are presented as “Non-controlling interests” in the consolidated statements of financial position and consolidated statement of income.

Likewise, on consolidation, the Corporation incorporates those entities in which it does not hold any direct or indirect ownership interest but instead represent special purpose entities, in accordance with the criteria established in SIC Interpretation 12, Consolidation - Special Purpose Entities.

- **Associates** - An associate is an entity over which Codelco is in the position to exercise significant influence, but not to control or jointly control, through the power to participate in the financial and operating policy decisions of that entity.

Codelco’s share of the net assets of such entities is included in the consolidated financial statements by using the equity method. This requires recording the initial investment at cost and then, in subsequent periods, adjusting the carrying amount of the investment to reflect Codelco’s share in the income of associates, less any impairment of goodwill and any other changes in the associate’s net assets.

- **Acquisitions and Disposals** - The results of businesses acquired are incorporated in the consolidated financial statements from the acquisition date; the results of businesses sold during the period are incorporated into the consolidated financial statements up to the effective date of disposal. Gains or losses from the disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the ownership interest that has been sold.

Upon the occurrence of operations that generate a loss of control over a subsidiary, the valuation of investment which results from the loss of control in the subsidiary must be based on the fair values of such companies.

- **Joint Ventures** - The entities that qualify as joint ventures, in which joint control exists over the operating and financial decisions, are accounted for using the equity method.

**Special Purpose Entities (SPE’s)** - The substance of the relationship between Codelco and Fundación de Salud El Teniente (FUSAT), indicated that this entity is controlled by Codelco. As such, the consolidated financial statements of FUSAT are incorporated into the consolidation of Codelco. The consolidated financial statements of the FUSAT include the following entities:



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| Entity                                                  | Country | Equity share percentage |            |
|---------------------------------------------------------|---------|-------------------------|------------|
|                                                         |         | 3/31/2012               | 12/31/2011 |
| Centro de Servicios Médicos Porvenir Ltda.              | Chile   | 99.00%                  | 99.00%     |
| Inmobiliaria Centro de Especialidades Torre Médica S.A. | Chile   | 75.09%                  | 75.09%     |
| Inmobiliaria e Inversiones Rio Cipreces Ltda.           | Chile   | 100.00%                 | 100.00%    |
| Prestaciones de Servicios de la Salud Intersalud Ltda.  | Chile   | 100.00%                 | 100.00%    |
| Institución de Salud Previsional Fusat Ltda.            | Chile   | 100.00%                 | 100.00%    |

- e) **Foreign currency transactions** - Monetary assets and liabilities denominated in foreign currency have been translated into U.S. dollars at the closing exchange rate of the period.

At the reporting period-end, monetary assets and liabilities denominated in currency other than the functional currency, indexed in unidades de fomento (UF or inflation index-linked units of account) (3/31/2012: US\$ 46.23 ; 12/31/2011: US\$ 43.03 ), are translated into U.S. dollars at the closing exchange rates of each period.

Income and expenses denominated in Chilean pesos have been translated into U.S. dollars at the exchange rate at the date when the transaction was recorded in the accounting records.

Exchange differences are recognized in net income in accordance with IFRS.

The financial statements of subsidiaries, associates and jointly controlled entities, whose functional currency is different from the presentation currency of Codelco, are translated using the following procedures:

- Assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income shall be translated at average exchange rates of the reporting period.

All resulting exchange differences are recognized as a separate component of net equity.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

The exchange rates used in each period are as follows:

| Ratio      | Period-end exchange rates |            |
|------------|---------------------------|------------|
|            | 3/31/2012                 | 12/31/2011 |
| USD / CLP  | 0.00205                   | 0.00193    |
| USD / GBP  | 1.59872                   | 1.55087    |
| USD / BRL  | 0.54903                   | 0.53588    |
| USD / EURO | 1.33316                   | 1.29618    |

- f) **Offsetting Balances and Transactions:** As a general standard, assets and liabilities, income and expenses, are not offset in the financial statements, except for those cases in which offsetting is required or is allowed by some standard and the presentation is a reflection of the transaction.

Income or expenses arising from transactions which, for contractual or legal reasons, consider the possibility of offsetting and which the Corporation intends to liquidate for their net value or realize the assets and pay the liabilities simultaneously, are stated net in the statement of income.

- g) **Property, plant and equipment and depreciation -** Property, plant and equipment items are initially recognized at cost. After their initial recognition, they are recorded at cost, less any accumulated depreciation and any accumulated impairment losses.

The costs of property, plant and equipment items related to the extension, modernization or improvement representing an increase of the productivity, capacity or efficiency or an increase in the useful life of the assets is capitalized as cost of the corresponding assets.

Furthermore, investments in assets acquired under lease contracts with purchase options that meet the characteristics of a finance lease are included in this item. These items are not legally owned by the Corporation until the corresponding purchase option is exercised.

Items included in property, plant and equipment are depreciated in accordance with the straight-line method over their economic useful lives, which are summarized in the following table:

| Item                                        | Minimum useful life | Maximum useful life |
|---------------------------------------------|---------------------|---------------------|
| Buildings                                   | 15 years            | 50 years            |
| Plant and equipment                         | 2 years             | 35 years            |
| Fixtures and fittings                       | 2 years             | 15 years            |
| Motor vehicles                              | 5 years             | 25 years            |
| Mining Operations                           | 20 years            | 35 years            |
| Construction in progress (Mine development) | 1 year              | 5 years             |
| Land improvements                           | 10 years            | 35 years            |
| Other                                       | 5 years             | 24 years            |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

The assets maintained under finance leases are depreciated during the estimated period of the lease contract or in accordance with the useful life of the assets, whichever is lower.

Estimated useful lives, residual values and the depreciation method are reviewed at each year end, recording prospectively the effect of any change in estimates.

The profit or loss from disposal or withdrawal of an asset is calculated as the difference between the price obtained in the disposal and the value recorded in the ledgers recognizing the charge or credit to net income for the year.

Work in progress includes the amounts invested in the construction of property, plant and equipment assets and in mining development projects. Works in progress are transferred to assets in operation once the testing period has terminated and when they are available for use, and start to be depreciated as of that moment.

The ore deposits owned by the Corporation are recorded in the accounting records at US\$1 (one US dollar) and the economic value of these deposits differs from the accounting value.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require a substantial period of time before they are ready for use or sale will be considered as part of the cost of property, plant and equipment items.

- h) Impairment of Property, Plant and Equipment and Intangible Assets** - Property, plant and equipment items and intangible assets of definite useful life are reviewed for impairment, in order to verify whether there is any indication that the carrying value cannot be recovered. If such an indicator exists, the recoverable amount of the assets is estimated to determine the extent of the impairment loss. Where the asset does not generate cash flows independently from other assets, Codelco estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

For such purposes, each division of the Corporation has been defined as a cash generating unit.

The measurement of impairment includes subsidiaries and associates.

The recoverable amount of an asset will be the higher of the fair value less costs to sell the asset and its value in use. When evaluating the value in use, the estimated future cash flows are discounted using an interest rate, before taxes, that shows the market evaluations corresponding to the time value of money and the specific risks of the asset, for which the future cash flow estimates have not been adjusted.

If the recoverable value of an asset or cash generating unit is estimated to be less than its carrying amount, an impairment loss is immediately recognized, reducing the carrying amount up to its recoverable amount with a charge to net income. In case of a subsequent reversal of the

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

impairment, the carrying amount increases to the reviewed estimate of the recoverable amount, but only to the point that it does not exceed the carrying amount that would have been determined if no impairment had been recognized previously. A reversal is recognized as a decrease in the charge for depreciation for the year.

For cash generating units (CGU's), future cash flow estimates are based on the estimates of future production levels, future prices of basic products and future production costs. IAS 36 "Impairment of Assets" includes a series of restrictions to the future cash flows that can be recognized regarding the restructurings and future improvements related to expenses. When calculating the value in use, it is also necessary to base the calculations on the current exchange rates at the moment of the measurement.

- i) **Exploration, Mine Development and Mining Operations Costs and Expenses** - The Corporation has defined an accounting criterion for each of these costs and expenses.

Development expenses for deposits under exploitation whose purpose is to maintain production levels are charged to net income when incurred.

Expenses for exploration and drillings of deposits include the expenses destined to locate mineralized areas to determine their potential for commercial exploitation. Accounting policy for these expenses has been defined by the Corporation in accordance with IFRS 6 paragraph 9, which will mainly be treated as expenses in profit or loss in the period when the expenses occurred.

Pre-operating and mine development expenses (PP&E) incurred during the execution of a project and until its start-up are capitalized and amortized in relation to the future production of the mine. These costs include extraction of waste material, constructing the mine's infrastructure and other works carried out prior to the production phase.

Finally, the costs for the delimitation of new areas or deposit areas in exploitation and of mining operations (PP&E) are recorded in property, plant and equipment and are charged to net income during the period in which the benefits are obtained.

- j) **Income Taxes and Deferred Taxes** - Codelco and its Chilean subsidiaries record Income Tax based on the net taxable income determined as per the standards established in the Income Tax Law and Article 2 of the D.L. 2,398, as well as the specific tax on mining referred to in Law 20,026 of 2005. Its foreign subsidiaries record income tax according to the taxation standards of each country.

Deferred taxes due to temporary differences and other events that generate difference between the accounting and tax bases for assets and liabilities are recorded in accordance with the standards established in IAS 12 "Income taxes".

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

In addition, a deferred tax is recognized for the net income of subsidiaries, associates and special purpose entities, originated by withholding taxes on remittances of dividends paid by such companies to the Corporation.

**k) Inventory** - Inventory is stated at cost, which does not exceed its net realizable value. The net realizable value represents the estimated sales price less all finishing costs and marketing, sales and distribution expenses. Costs have been determined according to the following methods:

- **Finished Products and Products in Process:** This inventory is stated at average production cost, according to the absorption costing method, including labor and the depreciation of property, plant and equipment, the amortization of intangible assets and the indirect expenses of each period.
- **Materials in Warehouse:** This inventory is stated at acquisition cost, and the Corporation determines an allowance for obsolescence considering the permanence in stock of slow moving materials in the warehouse.
- **Materials in Transit:** This inventory is stated at cost incurred until the period-end date. Any difference, due to the estimate of a lower net realizable value of the inventory, in relation to its accounting value, is adjusted with a charge to net income.

**l) Non-current assets classified as held for sale** - These assets are valued at the lower of its carrying amount and fair value less costs to sell.

**m) Dividends** - The payment obligation of net revenues presented in the financial statements, as determined in Article 6 of D.L. 1,350, is recognized based on the accrued payment obligation.

**n) Employee Benefits** - Codelco recognizes accruals for employee benefits when there is a current obligation as a result of the services provided.

The contract conditions stipulate, subject to compliance with certain conditions, the payment of an employee termination benefit when an employment contract ends. In general, this corresponds to one monthly salary per year of service and considering the components of the final remunerations which are contractually defined as the basis for the indemnity. This benefit has been defined as a long-term benefit.

Codelco has also agreed to post-employment medical care for certain employees, which are paid based on a fixed percentage of the monthly tax base of the employees covered by this agreement. This benefit has been defined as a post-employment medical care benefit.

The employee termination benefit obligation and the post-employment medical plans are calculated in accordance with valuations performed by an independent actuary, using the projected unit credit

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

method, which are updated on a regular basis. The obligation recognized in the statement of financial position represents the net present value of the employee termination benefit obligation and the post-employment medical benefit. Actuarial gains and losses are recognized immediately in the statement of comprehensive income within operating costs.

Management uses assumptions to determine the best estimate of these benefits. Such assumptions include an annual discount rate, mortality and morbidity tables, expected increases in compensation and future permanence, among other factors.

In accordance with its operating optimization programs to reduce costs and increase labor productivity by incorporating new current technologies and/or practical management best practices, the Corporation has established employee retirement programs by means of related addenda to employee contracts or collective union agreements with benefits that encourage employees to retire. Accordingly, the required accruals are established based on the accrued obligation at current value.

- o) Provisions for Dismantling and Restoration Costs** - An obligation, legal or constructive, arises when dismantling and restoration costs are incurred as a result of alterations caused by a mining activity (in development or in production).

The costs arising from the obligation to dismantle the installation of a plant or other project for the preparation of the site, discounted at their net present value, are accrued and capitalized at the beginning of each project, at which time the obligation to incur such costs is arises.

These dismantling costs are recorded in income via the depreciation of the asset that gave rise to this cost, and the provision is used when the dismantling takes place. Subsequent changes in the estimates of liabilities related to dismantling are added to or deducted from the costs of the related assets in the period in which the adjustment is made.

The restoration costs are accrued at their net present value against operating income, and the provision is used in the period during which the restoration works are performed. Changes in measurement of the liability related to the location of the mining activity (discount rate or time) are recorded in operating income.

The effects of updating the liability, due to the discount rate and/or time, are recorded as finance costs.

- p) Leases – (Codelco as a lessee)** – Leases are classified as finance leases when the terms of the lease transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease costs under operating leases are charged to income over the lease term. Assets acquired under finance leases are recognized as assets at the start of the lease at either the fair value or

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

the present value of minimum lease payments for the discounted lease at the contracted interest rate, whichever is lower. Interest is charged in the finance costs, at a fixed periodic rate, in the same depreciation period of the asset. The lease obligations net of financing costs are included in other current or non-current liabilities, as appropriate.

Under the provisions of International Financial Reporting Interpretations Committee ("IFRIC") 4 (IFRIC 4) titled "Determining whether an Arrangement Contains a Lease", an arrangement is, or contains a lease at the start date, if it uses a specific asset or assets or if it grants the right to use the asset, even if that right is not explicitly specified. For agreements occurring before January 1, 2005, the start date is considered as January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

All take-or-pay contracts and any other service and supply contracts that meet the conditions established in IFRIC 4, are reviewed for indicators of a lease on inception.

- q) Revenue Recognition** - Revenue is recorded when ownership rights and obligations have been substantially transferred to the purchaser, according to the shipment or dispatch of the products, in conformity with the agreed upon conditions and are subject to variations related to the content and/or sales price at their liquidation date. Notwithstanding the foregoing, there are certain contracts for which the rights and obligations are substantially transferred based on receipt of the product at the buyer's destination point, and for these contracts revenue is recorded at the moment of transfer.

Sales contracts include a provisional price at the shipment date, whose final price is generally based on the price recorded in the London Metals Exchange ("LME"). Recognition of sales revenue for copper and other commodities is based on the estimates of the future spread of metal price ("LME") and/or the spot price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of "Revenue". The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the "quotation period"). As such the final price will be fixed on the dates indicated in the contracts. Adjustments to the sales price occurs based on movements in quoted market prices ("LME") up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for the applicable metals.

Sales in the national market are recorded in conformity with the regulations that govern domestic sales as indicated in Articles 7, 8 and 9 of Law No. 16,624, modified by Article 15 of Decree Law No. 1,349 of 1976, on the determination of the sales price for the internal market.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

As indicated in the note related to hedging policies in the metal futures market, the Corporation enters into operations in the futures market. The net results of these contracts are added to or discounted from the revenues.

Additionally the Corporation recognizes revenue for providing services, mainly related to the processing of minerals bought from third parties. Revenue is recognized when the amounts can be measured reliably and when the services have been provided.

- r) **Derivative Contracts** - Codelco uses derivative financial instruments to reduce the risk of fluctuations in the sales prices of its products and of exchange rates.

Derivatives are initially recognized at fair value at the date on which the derivative is entered into and subsequently updated at fair value at each reporting date.

The effective part of the changes in fair value of the derivatives that are allocated as “effective cash flow hedges”, is recognized directly in equity, net of taxes, in the item “Cash flow hedge reserves”, while the ineffective part is recorded in the statements of comprehensive income, more specifically on lines Finance expenses or Finance income depending on the effect generated by the ineffectiveness. The amount recognized in net equity is not transferred to other comprehensive income account until the results of the hedged operations are recorded in the statements of comprehensive income or until the maturity date of such operations.

A hedge is considered highly effective when the changes in fair value or in the cash flows of the underlying item attributable to the hedged risk, are offset with the changes in the fair value or in the cash flows of the hedge instruments, with effectiveness between a range of 80% - 125%. The corresponding unrealized profit or loss is recognized in comprehensive income for the period, only in those cases in which the contracts are liquidated or when they no longer comply with hedging characteristics.

The total fair value of the hedge derivatives is classified as a non-current asset or liability, if the remaining maturity of the hedged item is greater than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is lower than 12 months.

All derivatives designated as hedge instruments are classified as current or non-current assets or liabilities, respectively, depending on the maturity date of the derivative.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

The derivative contracts entered into by the Corporation are originated by the application of the risk hedge policies indicated below, and are recorded as indicated for each case:

- *Hedging Policies for Exchange Rates*

From time to time the Corporation enters into exchange rate and interest rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transactions

are conducted in. Pursuant to the policies established by the Board of Directors these operations are only performed when there is a recognized assets or liabilities, forecast highly probable transactions or firm commitment, and not for investment or speculative reasons.

The results of foreign exchange insurance operations are recorded at the maturity or liquidation date of the respective contracts.

- *Hedging Policies in the Metal Futures Markets*

In accordance with the policies approved by the Board of Directors the Corporation entered into contracts in order to hedge future metal prices, backed by physical production, in order to minimize the inherent risks in price fluctuations.

The hedging policies seek to protect expected cash flows from the sale of products by fixing the prices for a portion of future production, while to the extent necessary adjusting physical contracts to its standard commercial policies. When the sales agreements are fulfilled and the future contracts are settled, income from sales and futures operations is offset.

At each reporting date, these futures contracts are recorded and adjusted to marked-to-market and recorded at the settlement date of the hedging operations, as a part of the sales revenue of the products.

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

- *Embedded Derivatives*

The Corporation has established a procedure that allows for evaluation of the existence of embedded derivatives in financial and non-financial contracts. Where there is an embedded derivative, and if the host contract is not recorded at fair value, the procedure determines whether the characteristics and risks of the embedded derivative are not closely related to the host contract, in which case it requires a separate recording.

The procedure consists of an initial characterization of each contract that allows for distinguishing of those in which an embedded derivative could exist. In that case, the contract is submitted to a

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

more in-depth analysis. If as a result of this evaluation it is determined that the contract has an embedded derivative that needs to be recorded separately, it is valued and the movements in its fair value are recorded in comprehensive income in the consolidated financial statements.

- s) **Financial Information by Segment** - For the purposes of IFRS 8, *Operating Segments* it has been defined that the segments are defined as the Operating Divisions, plus the Gabriela Mistral mine operation, which make up Codelco. Income and expenses of the parent company are distributed in the defined segments.
- t) **Presentation of Financial Statements** - For the purposes of IAS 1, *Presentation of the Financial Statements*, the Corporation establishes the presentation of its statement of financial position classified in "current and non-current" and of its statements of income in conformity with the "by function" method and its cash flows using the direct method.
- u) **Current and Non-Current Financial Assets** - The Corporation determines the classification of its investments upon initial recognition and reviews these at each closing date. This classification depends on the purpose for which such investments were acquired.

In this section the following categories are observed:

- *Financial Assets at Fair Value through Profit or Loss:*

This category includes those financial assets acquired for trading or sale in the short term. Their initial and subsequent recognition is performed at fair value, which is obtained as of the observable date in the market. The gains and losses from variations in fair value are included in net income for the period.

- *Loans Granted and Accounts Receivable:*

These correspond to financial assets with fixed or determined payments, and which are not quoted in an active market. They arise when the Corporation provides - for valuable consideration - cash, goods or services directly to a debtor without the intention of negotiating the accounts receivable that are generated by the transaction. Its initial recognition is at fair value, which includes the transaction costs that are directly attributed to the acquisition or issuance of it. Subsequent to the initial recognition, these are stated at amortized cost, recognizing in the statements of comprehensive income the accrued interest according to the effective interest rate and the possible losses in value of these assets.

A loss in value of the financial assets stated at amortized cost is caused when there is objective evidence that the Corporation will not be able to recover all amounts in accordance with the original terms.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

The amount of loss in value is the difference between the carrying amount and the net present value of the future cash flows discounted at the effective interest rate, and it is recognized as an expense in the statements of comprehensive income.

If in subsequent periods there is evidence of a recovery in the value of the financial asset stated at amortized cost, the recognized impairment loss will be reversed as long as it does not generate an amount in the financial asset ledgers that exceeds the one recorded prior to the loss. The accounting of the reversal is recognized in net income for the period.

Finally, an account receivable is not considered recoverable when situations arise such as the dissolution of the company, lack of identifiable assets for its execution or a legal pronouncement.

- v) **Financial Liabilities** - Financial liabilities are recognized initially at fair value, net of the incurred transaction costs. As the Corporation does not own any financial liabilities held for trading, subsequent to their initial recognition, the financial liabilities are valued at amortized cost, using the effective interest rate method, recognizing the interest expenses based on the effective profitability.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or when appropriate, a shorter period when the associated liability has a prepayment option that is considered to be exercised.

Trade accounts payable and other payables are financial liabilities that do not explicitly accrue interest and are recorded at their nominal value.

The financial liabilities are derecognized when the liabilities are paid or expire.

- w) **Allowance for Doubtful Accounts** - The Corporation maintains an allowance for doubtful accounts, based on the experience and analysis of Management regarding the portfolio of trade accounts receivable and the aging of the items.
- x) **Cash and cash equivalents and Statement of Cash Flows** - Cash equivalents are comprised of highly liquid investments, which have a limited risk in relation to possible changes in value, and maturities of which are less than 90 days from date of purchase.

For the purposes of preparing the statement of cash flows, the Corporation has defined the following:

Cash and cash equivalents in the statement of financial position include cash at banks and on hand, and short term deposits and other highly liquid short term investments with an original maturity of three months or less. In the statement of financial position, bank overdrafts are classified as external resources in current liabilities.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

- **Operating Activities:** These are the activities that constitute the main source of operating income for the Corporation, as well as other activities that cannot be classified as investment or financing activities.
  - **Investing Activities:** These correspond to acquisition or sale activities or disposal through other methods of long-term assets and other investments not included in cash and cash equivalents.
  - **Financing Activities:** These are activities that cause changes in the size and composition of net equity and of financial liabilities.
- y) **Law No. 13,196** - The amount for this concept is presented in the statement of income in the item Other expenses, by function.
- z) **Cost of Sales** - Cost of sales is determined according to the absorption cost method, including the direct and indirect costs, depreciation, amortization and any other expenses associated with the production process.
- aa) **Environment** - The Corporation adheres to the principles of sustainable development, which foster the economic development while safekeeping the environment and the health and safety of its collaborators. The Corporation recognizes that these principles are key for the wellbeing of its collaborators, care for the environment and success in its operations.
- bb) **Classification of Current and Non-Current Balances** - In the interim consolidated statement of financial position, the balances are classified according to their maturities, that is, as current those with a maturity equal or inferior to twelve months and as non-current those with a greater maturity. Where there are obligations whose maturity is less than twelve months, but whose long-term refinancing is insured upon a decision by the Corporation, through credit agreements available unconditionally with long-term maturity, these could be classified as non-current liabilities.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### 3. New accounting pronouncements not yet effective

As of the issuance date of these interim consolidated financial statements, the following IFRS and IFRIC interpretations have been issued by the IASB. Their application was not mandatory <sup>1</sup>:

| New IFRS                                           | Date of mandatory application                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 9, Financial Instruments                      | Annual periods beginning on or after January 1, 2015 | Financial assets must be entirely classified on the basis of the business model of the entity for financial asset management and the characteristics of contractual cash flows of financial assets. Financial assets under this standard are measured either at amortized cost or fair value. Only financial assets classified as measured at amortized cost must be tested for impairment.                                                                                                                                                                                          |
| IFRS 10, Consolidated Financial Statements         | Annual periods beginning on or after January 1, 2013 | Establishes a single control model that applies to all entities (including special purpose entities). In addition, this standard requires that management exercise professional judgment in determining which entity is controlled and must be consolidated.                                                                                                                                                                                                                                                                                                                         |
| IFRS 11, Joint Agreements                          | Annual periods beginning on or after January 1, 2013 | Establishes only two forms of joint agreements (joint ventures and joint operations). This standard uses the principle of control of IFRS 10 to determine whether there is joint control. There is no option for accounting for joint control entities (JCEs) using proportional consolidation. In the case of joint ventures, these must be accounted for using the equity method. For joint operations, which include jointly controlled assets, initial joint operations and initial joint control entities (JCEs) their assets, liabilities, income and expenses are recognized. |
| IFRS 12, Disclosure of interests in other entities | Annual periods beginning on or after January 1, 2013 | Establishes the disclosures of IAS 27, IAS 31 and IAS 28. A number of new disclosures are included in this standard.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| IFRS Amendments                                                                                         | Date of mandatory application                          | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 13, Fair Value                                                                                     | Annual periods beginning on or after January 1, 2013   | Establishes a single source to measure fair value. Does not change when an entity must use fair value. The standard changes the definition of fair value. Additionally incorporates certain new disclosures.                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine                                     | Annual periods beginning on or before January 1, 2013. | Establishes criteria for the recognition and measurement of assets for the concept of stripping costs in the production phase.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| IAS 1 Presentation of Financial Statements                                                              | Annual periods beginning on or after July 1, 2012.     | Modifications are related to the presentation of Other Comprehensive Income items, giving the option to expose income for the period and comprehensive income. In addition, modifies paragraphs on disclosure of information on income for the period and other comprehensive income.                                                                                                                                                                                                                                                                                                                                                                  |
| IAS 19, Employee Benefits                                                                               | Annual periods beginning on or after January 1, 2013   | Changes the accounting for defined benefit plans the termination benefits. For modification of defined benefits and plan assets, the focus of the broker is eliminated, recognizing past service costs in an accelerated manner. Changes in the defined benefits obligation and plan assets are broken down into three components: service costs, net interest on defined benefit, net liabilities (assets). Net interest is calculated using the rate of return for high quality corporate bonds. This could be lower than the rate currently used to calculate expected return on plan assets, resulting in a decrease in net income for the period. |
| IAS 32 – Financial Instrument Presentation                                                              | Annual periods beginning on or after January 1st, 2014 | Clarifies the requirements regarding the application of compensations between financial entries.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| IFRS 7- Financial Instruments: Disclosures                                                              | Annual periods beginning on or after January 1st, 2013 | Establishes new requirements related to disclosures in order to improve the comparison between financial statements prepared under IFRS and US GAAP.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| IAS 27 - Separate Financial Statements (former IAS 27 - Consolidated and Separate Financial Statements) | Annual periods beginning on or after January 1st, 2013 | The name and content of this rule changed as a result of the publication of the new IFRS 10 - Consolidated Financial Statements. IAS 27 refers only to separate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                                                           |                                                        |                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
|                                                                                                           |                                                        | financial statements.                                                                                             |
| IAS 28 - Investments in associate entities and joint ventures (former IAS 28 - Investments in Associates) | Annual periods beginning on or after January 1st, 2013 | The name and content of this rule changed as a result of the publication of the new IFRS 11 - Joint Arrangements. |
| IFRS 1 – First time adoption of the International Financial Reporting Standards                           | Annual periods beginning on or after January 1st, 2013 | An exception is aggregated to record government granted loans on an interest rate lower than the market.          |

Management is currently in the process of evaluating the initial effects of the application of the standards, amendments and interpretations that will be adopted in the consolidated financial statements of the Corporation in the respective years indicated. Codelco is still evaluating the impact that the mentioned standards and modifications, considering that they would not have a significant impact.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

### III. EXPLANATORY NOTES

#### 1. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

| Items                                  | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|----------------------------------------|---------------------|----------------------|
| Cash On hand                           | 6,637               | 11,738               |
| Bank Balances                          | 56,161              | 24,650               |
| Time deposits                          | 1,103,897           | 1,331,904            |
| Mutual Funds – Money Market            | 13,971              | 7,240                |
| Resale Agreements                      | 21,115              | 7,344                |
| <b>Total Cash and Cash Equivalents</b> | <b>1,201,781</b>    | <b>1,382,876</b>     |

Valuation of time deposits is made on an accrual basis with an interest rate associated to each of these instruments.

The Corporation does not maintain any significant amounts of cash and cash equivalents that are not available for use.

#### 2. Trade and other receivables

##### a) Accrual for open sales invoices

As mentioned in Article of Summary of Significant Accounting Policies, the Corporation adjusts its revenues and balances from trade accounts receivable, based on future copper prices, by recording an accrual for open sales invoices.

When the future price of copper is lower than the provisional invoice amount, this provision is presented in the Statement of Financial Position as follows:

- Customers that have debt balances with the Corporation are presented in Current Assets, decreasing the amounts owed by these customers.
- Customers that do not have debt balances with the Corporation are presented in the item Trade and other payables under Current Liabilities.

When the future copper price is higher than the provisional invoice price, the provision is presented in current assets, increasing the amounts owed by customers.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

Based on the above-mentioned, trade receivables as of March 31, 2012 and December 31, 2011 include an accrual of ThUS\$ 94,583 and ThUS\$ (47,781), respectively, related with the accrual of open invoices.

#### b) Trade and other receivables

The following chart shows the amounts of Trade and other receivables, with their corresponding allowances:

| Items                               | Current             |                      | Non- Current        |                      |
|-------------------------------------|---------------------|----------------------|---------------------|----------------------|
|                                     | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
| Trade Receivables (1)               | 1,578,029           | 1,551,444            | -                   | -                    |
| Allowance for doubtful accounts (3) | (3,025)             | (2,027)              | -                   | -                    |
| Subtotal trade receivables, Net     | 1,575,004           | 1,549,417            | -                   | -                    |
| Other Receivables (2)               | 401,440             | 423,193              | 142,465             | 132,721              |
| Allowance for doubtful accounts (3) | (4,524)             | (4,341)              | -                   | -                    |
| Subtotal other receivables, Net     | 396,916             | 418,852              | 142,465             | 132,721              |
| <b>Total</b>                        | <b>1,971,920</b>    | <b>1,968,269</b>     | <b>142,465</b>      | <b>132,721</b>       |

(1) Trade receivables are generated by sales of the Corporation, which are generally sold for cash or by bank guarantee.

(2) Other receivables include the amounts owed mainly by:

- Personnel of the Corporation, including short-term loans and mortgage loans, payment for which is withheld on a monthly basis from employee paychecks. The mortgage loans are backed by mortgage guarantees.
- Claims for insurance companies.
- Liquidations to the Central Bank as per Law 13,196.
- Advance payments to suppliers and contractors, to be discounted from the corresponding payment statements.
- Accounts receivable for toll services (Ventanas' smelter).

(3) The Corporation maintains an allowance for doubtful accounts, based on the experience and analysis of Management regarding the portfolio of trade accounts receivable and the aging of the entries.

The movement of the allowance for doubtful accounts in the periods of March 2012 and December 2011 is detailed as follows:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| <b>Movements of allowance for doubtful accounts</b> | <b>3/31/2012<br/>ThUS\$</b> | <b>3/31/2011<br/>ThUS\$</b> |
|-----------------------------------------------------|-----------------------------|-----------------------------|
| Opening balance                                     | 6,368                       | 6,557                       |
| Increases                                           | 1,571                       | 30                          |
| Write-offs/applications                             | (390)                       | (75)                        |
| Movement, subtotal                                  | 1,181                       | 105                         |
| <b>Final Balance</b>                                | <b>7,549</b>                | <b>6,662</b>                |

Past due and not impaired balances are detailed as follows:

| <b>Past-due and not impaired</b>       | <b>3/31/2012<br/>ThUS\$</b> | <b>12/31/2011<br/>ThUS\$</b> |
|----------------------------------------|-----------------------------|------------------------------|
| Less than 90 days                      | 30,721                      | 33,908                       |
| Between 90 days and 1 year             | 17,594                      | 2,197                        |
| More than 1 year                       | 5,838                       | 7,181                        |
| <b>Total past-due and not impaired</b> | <b>54,153</b>               | <b>43,286</b>                |

### 3. Balance and Related Party Disclosures

#### a) Transactions with the Board of Directors

According to the New Corporate Governance Law, Codelco's Board Members were affected in business with related parties, as described in Title XVI of the Corporations law (regarding transactions with related parties in publically traded companies and their affiliates).

As provided in the final paragraph of Article 147 b) of Title XVI, which contains exceptions regarding the approval process for related party transactions, the Corporation has set a general policy of regularity (reported to the SVS as a material fact), which establishes common transactions ordinarily made with its related parties within their line of business, contributes to their social interest and are necessary for Codelco's normal developmental activities.

In addition, consistent to the legal framework, the Corporation has revised its internal policy that governs transactions with persons and companies related to Codelco personnel. Therefore, the Board of Directors approved an update of Corporate Regulation No. 18 (NCC No, 18) and its corresponding administrative procedures.

Codelco, without the authorization indicated in NCC No. 18 and the Board of Directors, when required by Law or the Corporate Statute, shall not enter into contracts involving one or more Directors, Executive President, members of the Committee of Managing Directors, Vice President, Legal Counsel, General Auditor, General Manager, Senior Management, staff who have involvement in the assessment, recommendation, sales and/or contract of goods and services,

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

personnel management, or their spouses, children and other relatives up to the 2nd degree of relation, with an interest in itself, directly, or represented by third parties or on behalf of another person. The NCC No. 18 obligates the Corporation's contract to declare all such relationships, as well as remove related job responsibilities from any member within these positions who may be involved.

This prohibition also includes the companies in which such individuals are involved through ownership or management, whether directly or through representation of other natural persons or legal entities, or individuals who have ownership or management interests in those companies.

For the purpose of these regulations, positions of authority are defined as those in charge of second, third and fourth hierarchical level in the Corporation's organization.

The Board of Directors has been informed of the transactions covered by Codelco Corporate Standard No. 18, and upon which it must decide, according to this standard.

Among these operations are those indicated in the following chart, for the total amounts indicated, which need to be executed in the periods specified by each contract:

| Entity                                             | Tax payer number | Country | Nature of the relationship           | Description of the transaction | 1/1/2012         | 1/1/2011         |
|----------------------------------------------------|------------------|---------|--------------------------------------|--------------------------------|------------------|------------------|
|                                                    |                  |         |                                      |                                | 3/31/2012        | 3/31/2011        |
|                                                    |                  |         |                                      |                                | Amount<br>ThUS\$ | Amount<br>ThUS\$ |
| Domingo Iraola Vera                                | 2.320.212-3      | Chile   | Executive's relative                 | Services                       | -                | 8,419            |
| Cosando Construcción y Montaje Ltda.               | 77.755.770-K     | Chile   | Executive's relative                 | Services                       | -                | 1,942            |
| Fundación Orquesta Sinfónica Infantil de los Andes | 65.018.784-9     | Chile   | Founder                              | Services                       | 279              | -                |
| Kairos Mining S.A.                                 | 76.781.030-K     | Chile   | Subsidiary                           | Services                       | 55,600           | -                |
| Servicios Aridam S.A.                              | 76.033.531-2     | Chile   | Executive's relative                 | Services                       | 5,654            | -                |
| Ecometales Ltd.                                    | 59.097.530-9     | Chile   | Subsidiary                           | Services                       | -                | 1,016            |
| Club Deportes Cobresal                             | 70.658.400-5     | Chile   | An Employee is President of the Club | Services                       | 653              | -                |
| E-CL S.A.                                          | 88.006.900-4     | Chile   | Associate                            | Services                       | -                | 900              |
| Isapre Chuquicamata Ltda.                          | 79.566.720-2     | Chile   | Subsidiary                           | Services                       | 3,637            | -                |
| Salomón Sack S.A.                                  | 90.970.000-0     | Chile   | Director's ownership                 | Supplies                       | 1,036            | 22               |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

#### b) Key Personnel of the Corporation

In accordance with the policy established by the Board of Directors and its related regulation, those transactions of the Executive President, Vice presidents, Corporate Auditor, the members of the Divisional Management Committee and the Divisional Managers should be approved by this Board.

During 2012 and 2011, the members of the Board of Directors have received the following amounts as per diem:

| Entity                      | Taxpayer number | Country | Nature of the relationship | Description of the transaction | 1/1/2012<br>3/31/2012 |                                          |
|-----------------------------|-----------------|---------|----------------------------|--------------------------------|-----------------------|------------------------------------------|
|                             |                 |         |                            |                                | Amount                | Effects on net income (changes)/ credits |
|                             |                 |         |                            |                                | ThUS\$                | ThUS\$                                   |
| Jorge Bande Bruck           | 5.899.738-2     | Chile   | Director                   | Director's fees                | 27                    | (27)                                     |
| Raimundo Espinoza Concha    | 6.512.182-4     | Chile   | Director                   | Fees                           | 13                    | (13)                                     |
| Raimundo Espinoza Concha    | 6.512.182-4     | Chile   | Director                   | Director's fees                | 20                    | (20)                                     |
| Jaime Gutiérrez Castillo    | 6.772.588-3     | Chile   | Director                   | Fees                           | -                     | -                                        |
| Jaime Gutiérrez Castillo    | 6.772.588-3     | Chile   | Director                   | Director's fees                | -                     | -                                        |
| Gerardo Jofré Miranda       | 5.672.444-3     | Chile   | Chairman of the Board      | Director's fees                | 41                    | (41)                                     |
| Marcos Büchi Buc (1)        | 7.383.017-6     | Chile   | Director                   | Director's fees                | -                     | -                                        |
| Fernando Porcile Valenzuela | 4.027.183-k     | Chile   | Director                   | Director's fees                | 20                    | (20)                                     |
| Andrés Tagle Domínguez      | 5.895.255-9     | Chile   | Director                   | Director's fees                | 20                    | (20)                                     |
| Marcos Lima Aravena         | 5.119.963-4     | Chile   | Director                   | Director's fees                | 34                    | (34)                                     |
| Juan Luis Ossa Bulnes       | 3.638.915-K     | Chile   | Director                   | Director's fees                | 20                    | (20)                                     |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note 1.2)

---

- (1) During the three-month period from January 1, 2012 to March 31, 2012, the Corporation has not issued any payment instrument for the concept of remunerations to Mr. Marcos Büchi Buc, derived from his participation as Corporation Director, since he has expressly and irrevocably waived those payments, as well as any present or future collection action for that concept.

Through Supreme Decree of the Treasury Department No. 302, dated February 29, 2012, the method for determining the remunerations of the Corporation's directors was actualized. This document details the calculation method of such remunerations, as per the following:

- a) Is fixed in the amount of Ch\$3,282,300 - (three million two hundreds and eighty two thousand three hundred Chilean pesos), the monthly salary of the directors of Codelco for participating in the Board meetings.
- b) A unique monthly salary of Ch\$6,564,600 - (six million five hundred and sixty four thousand six hundred Chilean pesos) is established for the Chairman of the Board.
- c) In the case of the directors that shall participate in a Board Committee, whether the one referred to in Article 50 bis) of law No. 18,046 or another established by the by-laws of the Corporation, they shall receive a single additional monthly amount of Ch\$1,094,100 - (one million ninety four thousand and one hundred Chilean pesos) for their participation, notwithstanding the number of committees in which they participate. In addition, the director holding the chair of the Directors' Committee shall receive a single monthly remuneration for his participation in committees of Ch\$2,188,200 - (two million one hundred eighty eight thousand and two hundred Chilean pesos).
- d) The compensation established in this legal document will be valid for a period of two years, starting from March 1, 2012, and will be adjusted as of January 1, 2013, following the same standards that apply to the employees of the public sector of the Republic of Chile.

The short-term benefits related to the main executives of the Corporation, paid during the period January - March 2012, amount to ThUS\$ 4,205 (2011: ThUS\$ 1,949).

There were no payments for Non-current benefits during January – March 2012 and 2011, respectively.

The criteria used to determine the remunerations of the executives was established by the Board on January 29, 2003.

In the period being reported, no payments are recorded for the main executives of Codelco for the concept of staff severance indemnities, termination benefits or post employment benefits.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

There are no share-based benefit plans.

#### **c) Operations with Codelco Investees**

In addition, the Corporation performs necessary commercial and financial transactions with entities in which it has capital ownership. The financial transactions correspond mainly to loans in checking accounts.

The commercial operations with related companies refer to the purchase and sale of products or services, at market conditions and prices and which do not consider interest or indexation. These companies are the following: Sociedad GNL Mejillones S.A., Copper Partners Investment Corporation Ltd., Copper for Energy Sociedad Contractual Minera Purén, Kairos Mining S.A., MI Robotic Solutions S.A., Sociedad Contractual Minera El Abra, Electroandina S.A., Agua de La Falda S.A., Ecosea Farming S.A., Comotech S.A., E-CL S.A., Deutsche Geissdraht GmbH and Inca de Oro S.A.

The Corporation does not establish an allowance for doubtful accounts for the main items receivable from their related companies, as these have been registered by including the relevant safeguards in the respective debt contracts.

Accounts receivable from and payable to related companies as of March 31, 2012 and December 31, 2011, are detailed as follows:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note 1.2)

#### Accounts receivable from related companies

| Taxpayer Number | Company                              | Country | Nature of the relationship | Indexation currency | Current             |                      | Non-current         |                      |
|-----------------|--------------------------------------|---------|----------------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
|                 |                                      |         |                            |                     | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
| 76.775.710-7    | GNL Mejillones S.A.                  | Chile   | Associate                  | USD                 | 30,500              | 46,065               | 75,514              | 75,602               |
| 96.701.340-4    | Sociedad Contractual Minera El Abra  | Chile   | Associate                  | USD                 | 3,275               | 50                   | -                   | -                    |
| Foreign         | Copper Partners Invest. Company Ltd. | Bermuda | Joint Venture              | USD                 | 8,450               | 10,226               | -                   | -                    |
| 96.801.450-1    | Agua de la Falda S.A.                | Chile   | Associate                  | USD                 | 246                 | -                    | 224                 | 224                  |
| 76.063.022-5    | Inca de Oro S.A.                     | Chile   | Associate                  | CLP                 | 8                   | -                    | -                   | -                    |
| 76.024.442-2    | Ecosea Farming S.A.                  | Chile   | Associate                  | CLP                 | 16                  | -                    | -                   | 34                   |
| 76.781.030-K    | Kairos Mining S.A.                   | Chile   | Associate                  | CLP                 | -                   | 16                   | -                   | -                    |
| <b>Total</b>    |                                      |         |                            |                     | <b>42,495</b>       | <b>56,357</b>        | <b>75,738</b>       | <b>75,860</b>        |

#### Accounts payable to related companies

| Taxpayer Number | Company                                 | Country | Nature of the relationship | Indexation currency | Current             |                      | Non-current         |                      |
|-----------------|-----------------------------------------|---------|----------------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
|                 |                                         |         |                            |                     | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
| Foreign         | Copper Partners Investment Company Ltd. | Bermuda | Joint Venture              | USD                 | 36,560              | 36,666               | 299,443             | 308,616              |
| Foreign         | Deutsche Geissdraht GmbH                | Germany | Associate                  | EURO                | 2,834               | 4,065                | -                   | -                    |
| 76.781.030-K    | Kairos Mining S.A.                      | Chile   | Associate                  | CLP                 | 2,857               | 20,138               | -                   | -                    |
| 76.869.100-2    | Mining Industry Robotic Solutions S.A.  | Chile   | Associate                  | CLP                 | 17                  | 251                  | -                   | -                    |
| 96.701.340-4    | Sociedad Contractual Minera El Abra     | Chile   | Associate                  | USD                 | 48,433              | 49,720               | -                   | -                    |
| 76.775.710-7    | GNL Mejillones S.A.                     | Chile   | Associate                  | USD                 | 18,927              | 16,010               | -                   | -                    |
| <b>Total</b>    |                                         |         |                            |                     | <b>109,628</b>      | <b>126,850</b>       | <b>299,443</b>      | <b>308,616</b>       |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

The transactions performed between the Corporation and its related companies during the three month period ended March 31, 2012 are detailed in the next chart together with their corresponding effects on profit or loss:

| RUT          | Company                             | Description of the transaction | Country | Indexation<br>Currency | 1/1/2012<br>3/31/2012 |                  |
|--------------|-------------------------------------|--------------------------------|---------|------------------------|-----------------------|------------------|
|              |                                     |                                |         |                        | Amount                | Effect on income |
|              |                                     |                                |         |                        | ThUS\$                |                  |
| Foreign      | Copper Partners Investment Co. Ltd. | Sale of products               | Bermuda | USD                    | 30,871                |                  |
| Foreign      | Copper Partners Investment Co. Ltd. | Dividends received             | Bermuda | USD                    | 34,500                |                  |
| 76.775.710-7 | Sociedad GNL Mejillones S.A.        | Purchase of energy             | Chile   | USD                    | 52,410                |                  |
| 76.775.710-7 | Sociedad GNL Mejillones S.A.        | Loan                           | Chile   | USD                    | 16,650                |                  |
| 76.775.710-7 | Sociedad GNL Mejillones S.A.        | Loan interest                  | Chile   | USD                    | 622                   |                  |
| 76.775.710-7 | Sociedad GNL Mejillones S.A.        | Commissions received           | Chile   | USD                    | -                     |                  |
| 76.775.710-7 | Sociedad GNL Mejillones S.A.        | Expenses refund                | Chile   | USD                    | 5                     |                  |
| 76.775.710-7 | Sociedad GNL Mejillones S.A.        | Guarantee fee                  | Chile   | USD                    | 167                   |                  |
| 96.701.340-4 | SCM EI Abra                         | Purchase of products           | Chile   | USD                    | 132,050               |                  |
| 96.701.340-4 | SCM EI Abra                         | Sale of products               | Chile   | USD                    | 9,570                 |                  |
| 96.701.340-4 | SCM EI Abra                         | Purchase of services           | Chile   | USD                    | 3,957                 |                  |
| 96.701.340-4 | SCM EI Abra                         | Commissions received           | Chile   | USD                    | 38                    |                  |
| Foreign      | Deutsche Geissdraht GmbH            | Dividends received             | Germany | EURO                   | 1,410                 |                  |



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note 1.2)

---

#### d) Additional Information

The current and non-current account payable to the company Copper Partners Investment Company Ltd., corresponds to the balance of an advance payment received (US\$550 million) due to the commercial agreement with the company Minmetals.

The current and non-current receivables balance from Sociedad GNL Mejillones S.A. refers to a loan agreement signed with the company, with a maturity of December 31, 2016 and accrues an interest of Libor 180 days+3% until June 30, 2010. From July 1, 2010 to December 31, 2012 the interest rate is Libor 90 days+3% and afterwards the rate is being fixed at Libor 90 days +4.5% until the full payment by Sociedad GNL Mejillones S.A.

#### 4. Inventories

Inventories as of March 31, 2012 and December 31, 2011 are detailed as follows:

| Items                                                | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|------------------------------------------------------|---------------------|----------------------|
| Finished products                                    | 499,931             | 459,795              |
| <b>Subtotal finished products, net</b>               | <b>499,931</b>      | <b>459,795</b>       |
| Products in process                                  | 1,376,944           | 1,142,531            |
| <b>Subtotal products in process, net</b>             | <b>1,376,944</b>    | <b>1,142,531</b>     |
| Material in warehouse and other                      | 535,000             | 485,012              |
| Obsolescence allowance adjustment                    | (78,580)            | (72,500)             |
| <b>Subtotal material in warehouse and other, net</b> | <b>456,420</b>      | <b>412,512</b>       |
| <b>Total</b>                                         | <b>2,333,295</b>    | <b>2,014,838</b>     |

The value of finished products is stated net of unrealized profit corresponding to the purchase and sales operations of associates and subsidiaries, and which according to accounting standards need to be discounted from the entries that originated them.

The inventory recognized as an expense in the cost of sales during period ended March 31, 2012 and 2011, corresponds to finished products and amounts to ThUS\$ 2,358,872 and ThUS\$ 2,327,379 respectively.

The change in the obsolescence provision is described in the following table:

| Movements                       | ThUS\$          |
|---------------------------------|-----------------|
| <b>Initial Balance 1/1/2012</b> | <b>(73,484)</b> |
| Additions                       | (32,005)        |
| Reversals                       | 26,909          |
| <b>Final Balance 3/31/2012</b>  | <b>(78,580)</b> |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

As of March 31, 2012 and 2011 Codelco has not written off inventory that has been recognized in the Statement of Income by function.

#### 5. Deferred taxes and income taxes

This provision is stated in the item Current Tax Liabilities, in current liabilities, net of monthly provisional tax payments and other tax credits (Note 6).

In accordance with Law 20,455 related to reconstruction due to the earthquake, the income tax rates were changed for tax years 2012 and 2013 (fiscal years 2011 and 2012) to 20% and 18.5%, respectively from the 17% rate in force.

In accordance with Law 20,469 regarding the Specific Mining Tax, that changes the current income tax rate (5%) to be applied from tax year 2012 onwards, the Corporation has estimated a tax rate of 5.7% for that tax period.

Deferred tax assets and liabilities are detailed as follows:

| Deferred tax assets              | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|----------------------------------|---------------------|----------------------|
| Provisions                       | 794,460             | 808,037              |
| Unrealized gains                 | 49,157              | 49,157               |
| Finance lease                    | 30,502              | 27,685               |
| Specific mining tax              | 30,668              | 35,854               |
| Derivatives - futures            | 293,124             | 317,888              |
| Advances from clients            | 193,187             | 196,811              |
| Derivatives interest rate swaps  | 65,815              | 70,259               |
| Health care plans                | 14,654              | 14,879               |
| Other                            | 8,618               | 8,506                |
| <b>Total deferred tax assets</b> | <b>1,480,185</b>    | <b>1,529,076</b>     |

| Deferred tax liabilities                                                           | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|------------------------------------------------------------------------------------|---------------------|----------------------|
| Financial liabilities under effective interest rate                                | -                   | 138                  |
| Price-level restatement of property, plant and equipment, IFRS first time adoption | 744,837             | 775,202              |
| Valuation of employee termination benefit                                          | 96,592              | 81,566               |
| Accelerated depreciation                                                           | 2,237,159           | 2,206,342            |
| Other                                                                              | 9,694               | 6,070                |
| <b>Total deferred tax liabilities</b>                                              | <b>3,088,282</b>    | <b>3,069,318</b>     |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note 1.2)

The effect of deferred taxes affecting equity is summarized as follows:

| Deferred taxes affecting Equity              | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|----------------------------------------------|---------------------|----------------------|
| Cash Flow Hedge                              | (29,207)            | (897,100)            |
| <b>Total deferred taxes affecting equity</b> | <b>(29,207)</b>     | <b>(897,100)</b>     |

A reconciliation of taxes considering the legal tax rate and the calculation of the taxes actually paid is detailed as follows:

| Items                                                    | 3/31/2012                          |                               |                             |                                         |                 |
|----------------------------------------------------------|------------------------------------|-------------------------------|-----------------------------|-----------------------------------------|-----------------|
|                                                          | Taxable<br>base<br>18.5%<br>ThUS\$ | Taxable<br>base 40%<br>ThUS\$ | Tax rate<br>18.5%<br>ThUS\$ | Additional<br>tax rate<br>40%<br>ThUS\$ | Total<br>ThUS\$ |
| Profit before taxes                                      | 1,139,564                          | 1,139,564                     | 210,819                     | 455,826                                 | 666,645         |
| Permanent differences 18.5%                              | (146,870)                          | -                             | (27,171)                    | -                                       | (27,171)        |
| Permanent differences 40%                                | -                                  | (65,139)                      | -                           | (26,056)                                | (26,056)        |
| Income from corporations and other                       | (29,875)                           | (29,875)                      | (5,527)                     | (11,950)                                | (17,477)        |
| Income from contractual companies                        | (61,440)                           |                               | (11,366)                    | -                                       | (11,366)        |
| Income from Isapres (Private health insurance companies) | (630)                              | -                             | (117)                       | -                                       | (117)           |
| Foreign exchange differences                             | 2,086                              | 2,086                         | 386                         | 834                                     | 1,220           |
| Specific mining tax                                      | (64,357)                           | (64,357)                      | (11,906)                    | (25,743)                                | (37,649)        |
| Dividends receivable                                     | -                                  |                               | -                           | -                                       | -               |
| Other                                                    | 7,346                              | 27,007                        | 1,359                       | 10,803                                  | 12,162          |
| Specific mining tax net of deferred tax                  | -                                  | -                             | -                           | -                                       | 69,541          |
| Change in annual tax rate                                |                                    |                               |                             | -                                       | (657)           |
| Effect of subsidiaries                                   |                                    |                               | -                           | -                                       | 1,437           |
| <b>Total tax expense</b>                                 |                                    |                               | <b>183,648</b>              | <b>429,770</b>                          | <b>683,739</b>  |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note 1.2)

| Items                                                    | 3/31/2011        |                  |                |                         |                  |
|----------------------------------------------------------|------------------|------------------|----------------|-------------------------|------------------|
|                                                          | Taxable base 20% | Taxable base 40% | Tax rate 20%   | Additional tax rate 40% | Total            |
|                                                          | ThUS\$           | ThUS\$           | ThUS\$         | ThUS\$                  | ThUS\$           |
| Profit before taxes                                      | 1,967,800        | 1,967,800        | 393,560        | 787,120                 | 1,180,680        |
| Permanent differences 20%                                | (271,837)        | -                | (54,367)       | -                       | (54,367)         |
| Permanent differences 40%                                | -                | (143,566)        | -              | (57,426)                | (57,426)         |
| Income from corporations and other                       | (154,632)        | (154,632)        | (30,926)       | (61,853)                | (92,779)         |
| Income from contractual companies                        | (60,636)         | -                | (12,127)       | -                       | (12,127)         |
| Income from Isapres (Private health insurance companies) | (2,307)          | -                | (461)          | -                       | (461)            |
| Foreign exchange differences                             | 179              | 179              | 36             | 72                      | 108              |
| Specific mining tax                                      | (153,484)        | (153,484)        | (30,697)       | (61,394)                | (92,091)         |
| Dividends receivable                                     | -                | 65,328           | -              | 26,131                  | 26,131           |
| Other                                                    | 99,043           | 99,043           | 19,808         | 39,617                  | 59,425           |
| Specific mining tax net of deferred tax                  | -                | -                | -              | -                       | 140,184          |
| Effect of subsidiaries                                   | -                | -                | -              | -                       | 16,159           |
| <b>Total tax expense</b>                                 |                  |                  | <b>339,193</b> | <b>729,693</b>          | <b>1,225,229</b> |

## 6. Current tax assets and liabilities

### a) Current tax assets

This item shows the right to collect VAT fiscal credit, income taxes and other taxes receivable, and is detailed as follows:

| Item              | 3/31/2012      | 12/31/2011     |
|-------------------|----------------|----------------|
|                   | ThUS\$         | ThUS\$         |
| VAT fiscal credit | 190,788        | 177,105        |
| Other taxes       | 9,801          | 9,437          |
| Income tax        | 68,975         | 68,388         |
| <b>Total</b>      | <b>269,564</b> | <b>254,930</b> |

### b) Current tax liabilities

This item shows the income tax liabilities, net of monthly provisional payments:

| Item               | 3/31/2012      | 12/31/2011     |
|--------------------|----------------|----------------|
|                    | ThUS\$         | ThUS\$         |
| Income tax payable | 407,594        | 137,267        |
| <b>Total</b>       | <b>407,594</b> | <b>137,267</b> |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### 7. Non-current assets classified as held for sale

At 1 of January, 2011, the ownership of E-CL S.A. was represented by Codelco's 40% participation (16.35% direct participation and 23.65% indirect participation through Inversiones Mejillones 2 S.A.), a 52.4% stake of Suez Energy Andino S.A. and a remaining 7.6% stake held by non-controlling shareholders.

Subsequently, on January 27, 2011, Codelco made the placement of 424,251,415 shares issued by E-CL S.A. (representing 40% of the shares of that company), which amounted to a total \$ 509,101,698,000, equivalent to US\$ 1,051.558 million, according to the observed dollar exchange rate on the effective day.

The financial profit after tax generated during the first trimester of 2011 by this operation was US\$ 29.819 million.

#### 8. Property, Plant and Equipment

- a) The balances of Property, plant and equipment at March 31, 2012 comparative with December 31, 2011, are as follows:

| Property, Plant and Equipment, gross              | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|---------------------------------------------------|---------------------|----------------------|
| Construction in progress                          | 3,463,730           | 3,320,333            |
| Land                                              | 108,074             | 101,057              |
| Buildings                                         | 3,306,180           | 3,282,133            |
| Plant and Equipment                               | 10,794,752          | 10,632,843           |
| Fixtures and fittings                             | 35,320              | 35,085               |
| Motor vehicles                                    | 1,263,120           | 1,263,540            |
| Land Improvements                                 | 3,310,009           | 3,282,628            |
| Mining Operations                                 | 3,270,373           | 3,061,596            |
| Mine development                                  | 822,170             | 791,161              |
| Other Assets                                      | 738,772             | 727,499              |
| <b>Total Property, Plant and Equipment, gross</b> | <b>27,112,500</b>   | <b>26,497,875</b>    |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| <b>Property, Plant and Equipment, accumulated depreciation</b>       | <b>3/31/2012<br/>ThUS\$</b> | <b>12/31/2011<br/>ThUS\$</b> |
|----------------------------------------------------------------------|-----------------------------|------------------------------|
| Construction in progress                                             | -                           | -                            |
| Land                                                                 | -                           | -                            |
| Buildings                                                            | 2,044,756                   | 2,014,477                    |
| Plant and Equipment                                                  | 6,255,029                   | 6,049,883                    |
| Fixtures and fittings                                                | 25,474                      | 24,821                       |
| Motor vehicles                                                       | 747,938                     | 724,028                      |
| Land Improvements                                                    | 1,972,965                   | 1,941,146                    |
| Mining Operations                                                    | 1,642,937                   | 1,534,597                    |
| Mine development                                                     | 378,967                     | 362,835                      |
| Other Assets                                                         | 387,677                     | 408,324                      |
| <b>Total Property, Plant and Equipment, accumulated depreciation</b> | <b>13,455,743</b>           | <b>13,060,111</b>            |

| <b>Property, Plant and Equipment, net</b>       | <b>3/31/2012<br/>ThUS\$</b> | <b>12/31/2011<br/>ThUS\$</b> |
|-------------------------------------------------|-----------------------------|------------------------------|
| Construction in progress                        | 3,463,730                   | 3,320,333                    |
| Land                                            | 108,074                     | 101,057                      |
| Buildings                                       | 1,261,424                   | 1,267,656                    |
| Plant and Equipment                             | 4,539,723                   | 4,582,960                    |
| Fixtures and fittings                           | 9,846                       | 10,264                       |
| Motor vehicles                                  | 515,182                     | 539,512                      |
| Land Improvements                               | 1,337,044                   | 1,341,482                    |
| Mining Operations                               | 1,627,436                   | 1,526,999                    |
| Mine development                                | 443,203                     | 428,326                      |
| Other Assets                                    | 351,095                     | 319,175                      |
| <b>Total Property, Plant and Equipment, net</b> | <b>13,656,757</b>           | <b>13,437,764</b>            |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

#### b) Movement of Property, plant and equipment:

| Movements                            | Construction<br>in Progress | Land           | Buildings        | Plant and<br>Equipment | Fixtures and<br>fittings | Motor<br>vehicles | Land<br>Improvements | mining<br>Operations | M<br>develo |
|--------------------------------------|-----------------------------|----------------|------------------|------------------------|--------------------------|-------------------|----------------------|----------------------|-------------|
|                                      | ThUS\$                      | ThUS\$         | ThUS\$           | ThUS\$                 | ThUS\$                   | ThUS\$            | ThUS\$               | ThUS\$               | Th          |
| Opening Balance as of 1/1/2012       | 3,320,333                   | 101,057        | 1,267,656        | 4,582,960              | 10,264                   | 539,512           | 1,341,482            | 1,526,999            |             |
| Additions                            | 539,072                     | -              | 213              | 383                    | 51                       | -                 | -                    | 65,352               |             |
| Disposals                            | (484)                       | -              | (18)             | (65)                   | (6)                      | (12)              | -                    | -                    |             |
| Capitalizations                      | (292,522)                   | -              | 8,919            | 91,909                 | -                        | -                 | 25,783               | 137,459              |             |
| Depreciation and Amortization        | (68)                        | -              | (27,969)         | (173,393)              | (631)                    | (22,856)          | (30,786)             | (108,341)            |             |
| Reclassifications                    | (103,436)                   | 6,277          | 10,471           | 37,255                 | 111                      | (1,761)           | (602)                | 5,967                |             |
| Impairment                           | -                           | -              | -                | -                      | -                        | -                 | -                    | -                    |             |
| Others                               | 835                         | 740            | 2,152            | 674                    | 57                       | 25                | -                    | -                    |             |
| Total movements                      | 143,397                     | 7,017          | (6,232)          | (43,237)               | (418)                    | (24,604)          | (5,605)              | 100,437              |             |
| <b>Final Balance as of 3/31/2012</b> | <b>3,463,730</b>            | <b>108,074</b> | <b>1,261,424</b> | <b>4,539,723</b>       | <b>9,846</b>             | <b>515,182</b>    | <b>1,337,044</b>     | <b>1,627,436</b>     |             |

| Movements                             | Construction<br>in Progress | Land           | Buildings        | Plant and<br>Equipment | Fixtures and<br>fittings | Motor<br>vehicles | Land<br>Improvements | mining<br>Operations | M<br>develo |
|---------------------------------------|-----------------------------|----------------|------------------|------------------------|--------------------------|-------------------|----------------------|----------------------|-------------|
|                                       | ThUS\$                      | ThUS\$         | ThUS\$           | ThUS\$                 | ThUS\$                   | ThUS\$            | ThUS\$               | ThUS\$               | Th          |
| Opening Balance as of 1/1/2011        | 2,756,793                   | 108,087        | 1,258,790        | 4,360,776              | 11,477                   | 463,060           | 1,247,097            | 1,364,142            |             |
| Additions                             | 2,335,287                   | 17,625         | 129,884          | 12,116                 | 1,233                    | 23                | 1,571                | 337,598              |             |
| Disposals                             | -                           | (19)           | -                | (12,280)               | (106)                    | (4,336)           | (2)                  | (49,052)             |             |
| Capitalizations                       | (1,441,799)                 | 387            | 99,270           | 916,880                | 1,362                    | 179,530           | 193,632              | -                    |             |
| Depreciation and Amortization         | -                           | -              | (111,659)        | (681,574)              | (2,340)                  | (96,803)          | (119,920)            | (364,876)            |             |
| Reclassifications                     | (273,272)                   | -              | 32,727           | 40,832                 | 549                      | (1,450)           | 20,272               | 239,187              |             |
| Impairment                            | (7,259)                     | (6,277)        | (10,525)         | (42,348)               | (106)                    | (569)             | (1,168)              | -                    |             |
| Others                                | (49,417)                    | (18,746)       | (130,831)        | (11,442)               | (1,805)                  | 57                | -                    | -                    |             |
| Total movements                       | 563,540                     | (7,030)        | 8,866            | 222,184                | (1,213)                  | 76,452            | 94,385               | 162,857              |             |
| <b>Final Balance as of 12/31/2011</b> | <b>3,320,333</b>            | <b>101,057</b> | <b>1,267,656</b> | <b>4,582,960</b>       | <b>10,264</b>            | <b>539,512</b>    | <b>1,341,482</b>     | <b>1,526,999</b>     |             |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

- c) The value of construction in progress, is directly associated with the operating activities of the Corporation and its subsidiaries, and relates to the acquisition of equipment and projects in construction.
- d) The Corporation has contracted insurance policies to cover the potential risks to which the various elements of property, plant and equipment are subject, and any claims that could arise from their activities during the period, these policies provide adequate coverage of the potential risks.
- e) Interest costs capitalized for the period from January 1 to March 31, 2012 amount to ThUS\$ 11,379, calculated based on an annual capitalization rate of 4.34%, and ThUS\$ 8,003 for the same period in the year 2011, calculated based on a capitalization rate of 4.26%.
- f) The Corporation currently has no ownership restrictions on Property, Plant and Equipment assets. In addition, under no circumstance has management granted assets in guarantee to third parties to allow performance of its normal business activities or as a commitment to secure the payment of its obligations.

#### 9. Investments accounted for using the equity method

The following table sets forth the carrying amount and the share of profit of the investments accounted for using the equity method:

| Items                                                           | Equity Method    |                | Accrued net income  |                     |
|-----------------------------------------------------------------|------------------|----------------|---------------------|---------------------|
|                                                                 | 3/31/2012        | 12/31/2011     | 1/1/2012            | 1/1/2011            |
|                                                                 | ThUS\$           | ThUS\$         | 3/31/2012<br>ThUS\$ | 3/31/2011<br>ThUS\$ |
| Investments in associates accounted for using the equity method | 809,533          | 748,284        | 75,886              | 12,166              |
| Joint Ventures                                                  | 202,516          | 196,771        | 40,243              | 2,674               |
| <b>Total</b>                                                    | <b>1,012,049</b> | <b>945,055</b> | <b>116,129</b>      | <b>14,840</b>       |

#### a) Associates

##### Agua de la Falda S.A.

As of March 31, 2012, Codelco has a 43.28% interest in Agua de la Falda S.A., with the remaining 56.72% owned by Minera Meridian Limitada.

The line of business of this company is to exploit deposits of gold and other minerals, in the third region of the country.



## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **Sociedad Contractual Minera El Abra**

Sociedad Contractual Minera El Abra was formed in 1994. As of March 31, 2012, Codelco has a 49% interest in Sociedad Contractual Minera El Abra, with the remaining 51% owned by Cyprus El Abra Corporation, a subsidiary of Freeport-McMoRan Copper & Gold Inc.

Corporation activities involve the extraction, production and marketing of copper cathodes.

#### **Sociedad Contractual Minera Purén**

At March 31, 2012, Codelco has a 35% interest in Sociedad Contractual Minera Purén, with the remaining 65% owned by Compañía Minera Mantos de Oro.

This company's line of business is to explore, identify, survey, investigate, develop and exploit mineral deposits in order to extract, produce and process ore.

#### **Kairos Mining S.A.**

As of March 31, 2012, Codelco has a 40% interest in Kairos Mining S.A., with the remaining 60% owned by Honeywell Chile S.A.

Its line of business is to provide automation and control services for industrial and mining activities and to license technology and software licenses.

#### **Mining Industry Robotic Solutions S.A.**

As of March 31, 2012, Codelco has a 36% interest in Mining Industry Robotic Solutions S.A., with the remainder owned by Support Company Limited with 53%, Nippon Mining & Metals Co. Ltd., 9% and Kuka Roboter GmbH, 2%.

The company's line of business is the research, design, creation, invention, manufacture, installation, supply, maintenance and marketing in any form or type of robot products, technology products of a robotic nature or complementary supplies necessary for the marketing and maintenance of those products that can be used in the mining and metals industry and related services; to produce under license, license and market the licensing of products, processes and technology services of a robotic nature for the mining and metallurgical industry, as well as any other form of use by third parties of products or services based on such technology. In addition, the company can also form all types of companies and participate as a partner or shareholder in any existing company.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **Sociedad GNL Mejillones S.A.**

As of March 31, 2012, Codelco has a 37% interest in Sociedad GNL Mejillones S.A., with the remaining 63% owned by Suez Energy Andino S.A. These interests were established on November 5, 2010 when the Corporation did not increase the capital agreed upon by the meeting of shareholders of such company. Before the actual increase, both the Corporation and Suez Energy Andino S.A. had a 50% interest each.

Its line of business is the production, storage, marketing, transportation and distribution of all types of fuel, and the acquisition, construction, maintenance and operation of infrastructure facilities and construction projects necessary for transport, reception, processing and storage both in Chile and abroad, singly or in partnership with third parties.

#### **Comotech S.A.**

As of March 31, 2012, Codelco has a 33.33% interest in Comotech S.A. through its indirect subsidiary Innovaciones en Cobre S.A., Molibdenos y Metales S.A. and Universidad de Chile. Each of the two companies owns a 33.33% interest.

The company's line of business is to carry out research activities to increase the demand for molybdenum at the national and international level through new and better applications, uses and/or markets.

#### **Inca de Oro S.A.**

On June 1, 2009 Codelco's Board authorized the formation of a company destined to developing studies to allow continuity of the Inca de Oro Project.

Subsequently, on February 15, 2011, the association of Codelco and Minera PanAust IDO Ltda. was approved in respect to the Inca de Oro deposit, which implies that the latter will have 66% share of Inca de Oro S.A. and Codelco shall maintain a 34% share. Before the materialization of this association, Codelco owned the 100% of the society.

This operation generated during the first trimester of 2011 a net gain after taxes in the amount of US\$ 33,668 million for Codelco.

#### **Copper for Energy S.A.**

As of March 31, 2012, Codelco has a 25% interest in the share capital of International Copper Association Ltd., a 25% interest in Fundación Chile and a 25% interest in Universidad de Chile.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

Copper for Energy S.A.'s line of business is to develop and commercialize new products and applications for copper, destined to make the most efficient use of energy and/ or to generate and

utilize renewable energy; conducting and ordering research, carrying out studies and projects, rendering of training services and activities.

#### **Ecosea Farming S.A.**

As of March 31, 2012, Codelco held a 47.4% interest.

The company's objective is the transfer, adaptation, research and development of technologies and support services based on copper and alloys for aquaculture and related areas, and the production and marketing of all forms of products and / or services obtained from them.

#### **Deutsche Giessdraht GmbH**

As of March 31, 2012, Aurubis and Codelco through its affiliate, Codelco Kupferhandel GmbH, have a 60% and 40% interest, respectively.

The business model is to produce wire rods in its Emmerich, Germany facility.

The following table demonstrates the equity value and accrued results of investments in associates:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

| Associates                          | Taxpayer number | Functional Currency | Equity interest |                 | Equity Method       |                      | A<br>1/1/<br>3/31/<br>Th |
|-------------------------------------|-----------------|---------------------|-----------------|-----------------|---------------------|----------------------|--------------------------|
|                                     |                 |                     | 3/31/2012<br>%  | 12/31/2011<br>% | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |                          |
| Deutsche Geissdraht GmbH            | Foreign         | EURO                | 40.00%          | 40.00%          | 2,773               | 4,283                |                          |
| Agua de la Falda S.A.               | 96.801.450-1    | USD                 | 43.28%          | 43.28%          | 5,671               | 5,731                |                          |
| Sociedad Contractual Minera El Abra | 96.701.340-4    | USD                 | 49.00%          | 49.00%          | 729,546             | 666,968              |                          |
| Minera Purén SCM                    | 76.028.880-2    | USD                 | 35.00%          | 35.00%          | 23,518              | 23,033               |                          |
| Sociedad GNL Mejillones S.A.        | 76.775.710-7    | USD                 | 37.00%          | 37.00%          | -                   | -                    |                          |
| Kairos Mining S.A.                  | 76.781.030-K    | CLP                 | 40.00%          | 40.00%          | 152                 | 130                  |                          |
| MI Robotic Solutions S.A.           | 76.869.100-2    | CLP                 | 36.00%          | 36.00%          | 1,818               | 2,241                |                          |
| Inca de Oro S.A.                    | 73.063.022-5    | USD                 | 34.00%          | 34.00%          | 44,834              | 44,817               |                          |
| Other                               |                 |                     |                 |                 | 1,221               | 1,081                |                          |
| <b>TOTAL</b>                        |                 |                     |                 |                 | <b>809,533</b>      | <b>748,284</b>       |                          |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

The following tables provide details of the assets, liabilities and major movements in investments in associates accounted for using the equity method during the period ended March 31, 2012 and December 31, 2011 and their respective results during period ended March 31, 2012 and 2011.

| <b>Assets and liabilities</b> | <b>3/31/2012</b> | <b>12/31/2011</b> |
|-------------------------------|------------------|-------------------|
|                               | <b>ThUS\$</b>    | <b>ThUS\$</b>     |
| Current assets                | 894,094          | 808,605           |
| Non- Current assets           | 1,732,926        | 1,717,531         |
| Current liabilities           | 426,303          | 513,798           |
| Non- Current liabilities      | 384,360          | 361,182           |

| <b>Net income</b>     | <b>1/1/2012</b>  | <b>1/1/2011</b>  |
|-----------------------|------------------|------------------|
|                       | <b>3/31/2012</b> | <b>3/31/2011</b> |
|                       | <b>ThUS\$</b>    | <b>ThUS\$</b>    |
| Revenue               | 266,013          | 393,259          |
| Cost of sales         | (185,037)        | (392,291)        |
| Profit for the period | 80,976           | 968              |

| <b>Movements of investment in associates</b> | <b>1/1/2012</b>  | <b>1/1/2011</b>  |
|----------------------------------------------|------------------|------------------|
|                                              | <b>3/31/2012</b> | <b>3/31/2011</b> |
|                                              | <b>ThUS\$</b>    | <b>ThUS\$</b>    |
| <b>Opening balances</b>                      | <b>748,284</b>   | <b>561,730</b>   |
| Contributions                                | -                | 22,259           |
| Dividends                                    | (1,410)          | (1,361)          |
| Net income for the period                    | 75,886           | 12,166           |
| Foreign exchange differences                 | (70)             | (61)             |
| Fair Value adjustment by the Loss of control | -                | 20,904           |
| Transfer of negative equity                  | (11,049)         | 47,772           |
| Other comprehensive income                   | (2,042)          | (902)            |
| Other                                        | (66)             | (3,193)          |
| <b>Final balance</b>                         | <b>809,533</b>   | <b>659,314</b>   |

#### b) Joint ventures

At March 31, 2012, the Corporation participates in the Copper Partners Investment Company Limited Joint venture. This partnership dates from March 2006 when Codelco Chile through its subsidiary Codelco International Ltd., executed the agreement with Album Enterprises Limited (a subsidiary of Minmetals) to form the company, in which both companies hold equal interests.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| Identification of the company              | Equity interest percentage |
|--------------------------------------------|----------------------------|
| Copper Partners Investment Company Limited | 50%                        |

| Assets and liabilities    | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|---------------------------|---------------------|----------------------|
| Current Assets            | 75,303              | 210,515              |
| Non - current assets      | 336,111             | 308,616              |
| Current Liabilities       | 22,725              | 40,161               |
| Non - current liabilities | 6,363               | 85,428               |

| Net income    | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|---------------|---------------------------------|---------------------------------|
| Revenue       | 116,890                         | 137,003                         |
| Cost of sale  | (36,404)                        | (131,654)                       |
| Profit (loss) | 80,486                          | 5,349                           |

| Movements of the investment in Joint Ventures | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|-----------------------------------------------|---------------------------------|---------------------------------|
| <b>Opening Balance</b>                        | <b>196,771</b>                  | <b>26,635</b>                   |
| Net income for the period                     | 40,243                          | 2,674                           |
| Dividends                                     | (35,000)                        | -                               |
| Distributions                                 | -                               | (7,818)                         |
| Other comprehensive income                    | -                               | 47,970                          |
| Other                                         | 502                             | -                               |
| <b>Total</b>                                  | <b>202,516</b>                  | <b>69,461</b>                   |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### c) Interest in negative equity

The Corporation, at March 31, 2012 and December 31, 2011, has an interest in the following negative equities (amounts expressed in ThUS\$):

| Entity                       | Equity interest percentage | Negative Equity |            |
|------------------------------|----------------------------|-----------------|------------|
|                              |                            | 3/31/2012       | 12/31/2011 |
| Sociedad GNL Mejillones S.A. | 37%                        | (11,926)        | (41,789)   |
| Copper for Energy S.A.       | 25%                        | (293)           | (44)       |

#### d) Additional information about unrealized profit

The Corporation has recognized unrealized profit for purchases and sales of products, mining properties, property, plant and equipment and ownership rights. The most significant transactions include the transaction carried out in 1994 for the initial contribution of mining properties to Sociedad Contractual Minera El Abra.

The balance of unrealized profit to be recognized as of March 31, 2012 is ThUS\$ 86,240 (12/31/2011 ThUS\$86,240). This figure is shown by deducting the investment in this company.

Codelco carries out copper purchases and sales with this company. At March 31, 2012, and December 31, 2011, the value of finished products in Inventory does not have an unrealized profit accrual.

## 10. Subsidiaries

The following tables present a detail of the assets, liabilities and results of the Corporation's subsidiaries, prior to consolidation adjustments:

| Assets and Liabilities   | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|--------------------------|---------------------|----------------------|
| Current Assets           | 718,380             | 697,933              |
| Non- Current Assets      | 637,068             | 618,753              |
| Current Liabilities      | 443,874             | 431,813              |
| Non- Current liabilities | 313,503             | 305,783              |

| Net income            | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|-----------------------|---------------------------------|---------------------------------|
| Revenue               | 613,110                         | 810,498                         |
| Cost of sales         | (563,802)                       | (604,938)                       |
| Profit for the period | 49,308                          | 205,560                         |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### 11. Other non-current non-financial assets

Other non-current non-financial assets included in the interim consolidated statement of financial position as of March 31, 2012 and December 31, 2011 are detailed as follows:

| Other non-current financial assets | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|------------------------------------|---------------------|----------------------|
| Anglo American Purchase Option (1) | 155,700             | 155,700              |
| Law No. 13,196 asset (2)           | 33,611              | 34,528               |
| Other                              | 18,046              | 13,722               |
| <b>TOTAL</b>                       | <b>207,357</b>      | <b>203,950</b>       |

- (1) On December 19, 2008, Empresa Nacional de Minería (ENAMI) assigned Codelco Chile the right to buy up to 49% of the shares of Anglo American Sur S.A.

The figure presented on December 31, 2011 corresponds to the amounts paid by Codelco to Enami. These payments were made in three installments during 2010.

The purchase option mentioned above contains a derivative, the exact value, based on its characters and other factors, is difficult to measure. Therefore the terms of IAS 39 AG81 have been used.

Note 29 "Contingencies and restrictions" of the financial statements, the report of Significant Events in this statement, acknowledges the process of exercising the purchase right by Codelco of the social interest indicated before, as well as the position taken by Anglo American and Codelco.

- (2) This corresponds to the recording of the commitment related to Law N°13,196, for the advance payment received for the copper sales contract signed with Copper Partners Investment Company Limited. This amount will be amortized according to the shipments made.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### 12. Current and non-current financial assets

Current and non-current financial assets included in the statement of financial position are detailed as follows:

| Classification in the statement of financial position | 3/31/2012                            |                       |                     |                    |                               |
|-------------------------------------------------------|--------------------------------------|-----------------------|---------------------|--------------------|-------------------------------|
|                                                       | At fair value though profit and loss | Loans and receivables | Hedging derivatives | Available for sale | Total financial assets ThUS\$ |
| Cash and Cash equivalents                             | 13,971                               | 1,187,810             | -                   | -                  | 1,201,781                     |
| Trade and other current receivables                   | 94,583                               | 1,877,337             | -                   | -                  | 1,971,920                     |
| Rights receivables, non - current                     | -                                    | 142,465               | -                   | -                  | 142,465                       |
| Due from related companies, current                   | -                                    | 42,495                | -                   | -                  | 42,495                        |
| Due from related companies, non - current             | -                                    | 75,738                | -                   | -                  | 75,738                        |
| Other current financial assets                        | -                                    | 1,181                 | 162,749             | -                  | 163,930                       |
| Other non - current financial assets                  | -                                    | 13,012                | 129,879             | -                  | 142,891                       |
| <b>TOTAL</b>                                          | <b>108,554</b>                       | <b>3,340,038</b>      | <b>292,628</b>      | <b>-</b>           | <b>3,741,220</b>              |

| Classification in the statement of financial position | 12/31/2011                           |                       |                     |                    |                               |
|-------------------------------------------------------|--------------------------------------|-----------------------|---------------------|--------------------|-------------------------------|
|                                                       | At fair value though profit and loss | Loans and receivables | Hedging derivatives | Available for sale | Total financial assets ThUS\$ |
| Cash and Cash equivalents                             | 7,240                                | 1,375,636             | -                   | -                  | 1,382,876                     |
| Trade and other current receivables                   | (47,781)                             | 2,016,050             | -                   | -                  | 1,968,269                     |
| Rights receivables, non - current                     | -                                    | 132,721               | -                   | -                  | 132,721                       |
| Due from related companies, current                   | -                                    | 56,357                | -                   | -                  | 56,357                        |
| Due from related companies, non - current             | -                                    | 75,860                | -                   | -                  | 75,860                        |
| Other current financial assets                        | -                                    | 1,171                 | 192,066             | -                  | 193,237                       |
| Other non - current financial assets                  | -                                    | 9,275                 | 93,318              | -                  | 102,593                       |
| <b>TOTAL</b>                                          | <b>(40,541)</b>                      | <b>3,667,070</b>      | <b>285,384</b>      | <b>-</b>           | <b>3,911,913</b>              |

- **Financial assets designated at fair value through profit or loss:** At March 31, 2012, this category mainly includes unfinished product sale invoices and mutual fund investments made by Codelco Chile subsidiaries.

The effects on results of open invoices are determined by the differences between the provisional price at the date of shipment and the futures price curve of products, as explained under the title Accounting policies (letter p of number 2 of Chapter II), while mutual funds affect the result by the change in fair value of shares.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

- **Loans granted and receivables:** These correspond to financial assets with fixed or determinable payments that are not traded in an active market.

The effects on the period's statements of comprehensive income generated by these assets, come mainly from financial interest gains and from the exchange rate differences related to the balances in currencies other than the functional currency.

No material impairments were recognized in accounts receivable.

- **Hedging derivatives:** Correspond to the receivable balances for derivative contracts, for the exposure generated by existing operations and which effect on the period profit and loss are from liquidation of these operations. The detail of derivative transactions is included in Note 28.
- **Available-for-sale financial assets:** These correspond primarily to non-derivative financial assets that are specifically designated as available for sale or are not classified as: a) loans and receivables, b) investments held to maturity or c) financial assets carried at fair value through profit or loss (IAS 39, paragraph 9).

Within the period presented, there was no reclassification of financial instruments among the different categories established under IAS 39.

### 13. Interest-bearing borrowings

Current and non-current interest-bearing borrowings correspond to Borrowings from financial institutions, Bond obligations and Finance leases, which are recorded by the Corporation at amortized cost using the effective interest rate method.

The following tables detail the composition of the item "other financial liabilities, current and non-current."

| Items                         | 3/31/2012                          |                             |                  |                                    |                             |                  |
|-------------------------------|------------------------------------|-----------------------------|------------------|------------------------------------|-----------------------------|------------------|
|                               | Current                            |                             |                  | Non- Current                       |                             |                  |
|                               | Loans and other payables<br>ThUS\$ | Hedge derivatives<br>ThUS\$ | Total<br>ThUS\$  | Loans and other payables<br>ThUS\$ | Hedge derivatives<br>ThUS\$ | Total<br>ThUS\$  |
| Loans from financial entities | 34,225                             | -                           | 34,225           | 1,196,486                          | -                           | 1,196,486        |
| Bonds                         | 849,985                            | -                           | 849,985          | 5,033,976                          | -                           | 5,033,976        |
| Financial Lease               | 23,194                             | -                           | 23,194           | 103,695                            | -                           | 103,695          |
| Hedge obligations             | -                                  | 674,289                     | 674,289          | -                                  | -                           | -                |
| Other financial liabilities   | 5,980                              | -                           | 5,980            | 86,051                             | -                           | 86,051           |
| <b>Total</b>                  | <b>913,384</b>                     | <b>674,289</b>              | <b>1,587,673</b> | <b>6,420,208</b>                   | <b>-</b>                    | <b>6,420,208</b> |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| Items                         | 12/31/2011               |                   |                  |                          |                   |                  |
|-------------------------------|--------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
|                               | Current                  |                   |                  | Non- Current             |                   |                  |
|                               | Loans and other payables | Hedge derivatives | Total            | Loans and other payables | Hedge derivatives | Total            |
|                               | ThUS\$                   | ThUS\$            | ThUS\$           | ThUS\$                   | ThUS\$            | ThUS\$           |
| Loans from financial entities | 41,276                   | -                 | 41,276           | 1,196,645                | -                 | 1,196,645        |
| Bonds                         | 802,954                  | -                 | 802,954          | 5,008,399                | -                 | 5,008,399        |
| Financial Lease               | 22,954                   | -                 | 22,954           | 106,095                  | -                 | 106,095          |
| Hedge obligations             | -                        | 770,666           | 770,666          | -                        | 25                | 25               |
| Other financial liabilities   | 5,574                    | -                 | 5,574            | 83,990                   | -                 | 83,990           |
| <b>Total</b>                  | <b>872,758</b>           | <b>770,666</b>    | <b>1,643,424</b> | <b>6,395,129</b>         | <b>25</b>         | <b>6,395,154</b> |

These items are generated by the following situations:

- ***Borrowings from financial institutions:***

The loans obtained by the Corporation for up to a twelve-month term, contracted at the market interest rate to finance its production operations oriented towards the foreign market.

The loans obtained by the Corporation for terms that exceed twelve month are mainly to finance the investments required for production processes.

- ***Bond obligations:***

On November 18, 2002, the Corporation issued and placed bonds on the domestic market, under the rules of the Superintendency of Securities and Insurance. These bonds were issued for a nominal amount of UF7,000,000, in a single series denominated Series A, and consist of 70,000 bonds for UF100 each. These bonds are payable in a single installment on September 1, 2012, with a 4.0% annual interest rate and with bi-annual interest payments.

On November 30, 2002, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$435,000. These bonds are payable in a single installment on November 30, 2012, with a 6.375% annual interest rate and with bi-annual interest payments.

On October 15, 2003, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on October 15, 2013, with a 5.5% annual interest rate and with bi-annual interest payments.

On October 15, 2004, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

installment on October 15, 2014, with a 4.750% annual interest rate and with bi-annual interest payments.

On May 10, 2005, the Corporation issued and placed bonds on the domestic market for a nominal amount of UF6,900,000, in a single series denominated Series B, and consist of 6,900 bonds for UF1,000 each. These bonds are payable in a single installment on April 1, 2025, with a 3.29% annual interest rate and with bi-annual interest payments.

On September 21, 2005, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on September 21, 2035, with a 5.6250% annual interest rate and with bi-annual interest payments.

On October 19, 2006, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on October 24, 2036, with a 6.15% annual interest rate and with bi-annual interest payments.

On January 20, 2009, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$600,000. These bonds mature in a single installment on January 15, 2019, at an interest rate of 7.5% per annum with interest paid bi-annually.

On November 4, 2010 the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$1,000,000. These bonds mature in a single installment on November 4, 2020, at an interest rate of 3.75% per annum with interest paid bi-annually.

On November 3, 2011, the Corporation issued and placed bonds in the U.S. market under Rule 144A and Regulation S, for a nominal amount of ThUS \$1,150,000. These bonds mature in a single installment on November 3, 2021, with an interest rate of 3.875% per annum, with interest paid semiannually.

- ***Financial debt commissions and expenses:***

Obtaining financial resources generates, in addition to the interest rate, fees and other expenses charged by the financial institutions, and the Corporation receives the net value of the loans. These expenses are amortized based on the effective interest rate determined using the amortized cost method.

- ***Finance leases:***

Finance lease transactions are generated for service contracts, principally for buildings and machinery.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see)

At March 31, 2012, the detail of Borrowings from financial institutions and Bond obligations is as follows:

| 3/31/2012       |                          |                               |                           |            |          |          |         |                      |                     |     |
|-----------------|--------------------------|-------------------------------|---------------------------|------------|----------|----------|---------|----------------------|---------------------|-----|
| Taxpayer number | Country                  | Loans with financial entities | Institution               | Maturity   | Rate     | Currency | Amount  | Type of amortization | Payment of interest | Non |
| Foreign         | United States of America | Export pre-funding            | BBVA Bancomer             | 9/27/2014  | Floating | US\$     | 400,000 | Maturity             | Quarterly           |     |
| Foreign         | England                  | Export pre-funding            | Banco Santander Londres   | 11/30/2015 | Floating | US\$     | 75,000  | Maturity             | Quarterly           |     |
| Foreign         | Bermuda                  | Export pre-funding            | HSBC Bank Bermuda Limited | 12/17/2015 | Floating | US\$     | 162,500 | Maturity             | Quarterly           |     |
| Foreign         | United States of America | Export pre-funding            | Bank of Tokyo-Mitsubishi  | 12/22/2015 | Floating | US\$     | 100,000 | Maturity             | Quarterly           |     |
| Foreign         | United States of America | Export pre-funding            | Banco Santander           | 12/23/2015 | Floating | US\$     | 100,000 | Maturity             | Quarterly           |     |
| Foreign         | Canada                   | Export pre-funding            | Export. Dev. Canada       | 12/28/2015 | Floating | US\$     | 250,000 | Maturity             | Quarterly           |     |
| Foreign         | United States of America | Export pre-funding            | Sumitomo Mitsui Banking   | 02/18/2016 | Floating | US\$     | 100,000 | Maturity             | Quarterly           |     |
| Foreign         | Germany                  | Credit Line                   | HSBC Trinkaus & Burkhardt |            | Floating | Euro     | 15,364  |                      |                     |     |
| Foreign         | Germany                  | Credit Line                   | Deutsche Bank             |            | Floating | Euro     | 14,562  |                      |                     |     |
|                 |                          |                               | Other institutions        |            |          |          |         |                      |                     |     |
| <b>TOTAL</b>    |                          |                               |                           |            |          |          |         |                      |                     |     |

| Bonds        | Country                  | Maturity   | Rate  | Currency | Amount    | Type of amortization | Payment of interest | Non |
|--------------|--------------------------|------------|-------|----------|-----------|----------------------|---------------------|-----|
| BCODE-A      | Chile                    | 9/1/2012   | Fixed | U.F.     | 7,000,000 | Maturity             | Semi annual         |     |
| 144-A REG.S  | United States of America | 11/30/2012 | Fixed | US\$     | 435,000   | Maturity             | Semi annual         |     |
| 144-A REG.S  | United States of America | 10/15/2013 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         |     |
| 144-A REG.S  | United States of America | 10/15/2014 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         |     |
| 114-A REG.S  | United States of America | 1/15/2019  | Fixed | US\$     | 600,000   | Maturity             | Semi annual         |     |
| 114-A REG.S  | United States of America | 11/4/2020  | Fixed | US\$     | 1,000,000 | Maturity             | Semi annual         |     |
| 114-A REG.S  | United States of America | 11/3/2021  | Fixed | US\$     | 1,150,000 | Maturity             | Semi annual         |     |
| BCODE-B      | Chile                    | 4/1/2025   | Fixed | U.F.     | 6,900,000 | Maturity             | Semi annual         |     |
| 144-A REG.S  | United States of America | 9/21/2035  | Fixed | US\$     | 500,000   | Maturity             | Semi annual         |     |
| 144-A REG.S  | United States of America | 10/24/2036 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         |     |
| <b>TOTAL</b> |                          |            |       |          |           |                      |                     |     |

Nominal and effective interest rates presented above correspond to annual rates.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

At December 31, 2011, the detail of Borrowings from financial institutions and Bond obligations is as follows:

| 12/31/2011      |                          |                               |                           |            |          |          |         |                      |                     |
|-----------------|--------------------------|-------------------------------|---------------------------|------------|----------|----------|---------|----------------------|---------------------|
| Taxpayer number | Country                  | Loans with financial entities | Institution               | Maturity   | Rate     | Currency | Amount  | Type of amortization | Payment of interest |
| Foreign         | United States of America | Export pre-funding            | BBVA Bancomer             | 9/27/2014  | Floating | US\$     | 400,000 | Maturity             | Quarterly           |
| Foreign         | England                  | Export pre-funding            | Banco Santander Londres   | 11/30/2015 | Floating | US\$     | 75,000  | Maturity             | Quarterly           |
| Foreign         | Bermuda                  | Export pre-funding            | HSBC Bank Bermuda Limited | 12/17/2015 | Floating | US\$     | 162,500 | Maturity             | Quarterly           |
| Foreign         | United States of America | Export pre-funding            | Bank of Tokyo-Mitsubishi  | 12/22/2015 | Floating | US\$     | 100,000 | Maturity             | Quarterly           |
| Foreign         | United States of America | Export pre-funding            | Banco Santander           | 12/23/2015 | Floating | US\$     | 100,000 | Maturity             | Quarterly           |
| Foreign         | Canada                   | Export pre-funding            | Export. Dev. Canada       | 12/28/2015 | Floating | US\$     | 250,000 | Maturity             | Quarterly           |
| Foreign         | United States of America | Export pre-funding            | Sumitomo Mitsui Banking   | 02/18/2016 | Floating | US\$     | 100,000 | Maturity             | Quarterly           |
| Foreign         | Germany                  | Credit Line                   | HSBC Trinkaus & Burkhardt |            | Floating | Euro     | 15,364  |                      |                     |
| Foreign         | Germany                  | Credit Line                   | Deutsche Bank             |            | Floating | Euro     | 14,562  |                      |                     |
|                 |                          |                               | Other institutions        |            |          |          |         |                      |                     |
| <b>TOTAL</b>    |                          |                               |                           |            |          |          |         |                      |                     |

| Bonds        | Country                  | Maturity   | Rate  | Currency | Amount    | Type of amortization | Payment of interest | Nominal Rate |
|--------------|--------------------------|------------|-------|----------|-----------|----------------------|---------------------|--------------|
| BCODE-A      | Chile                    | 9/1/2012   | Fixed | U.F.     | 7,000,000 | Maturity             | Semi annual         |              |
| 144-A REG.S  | United States of America | 11/30/2012 | Fixed | US\$     | 435,000   | Maturity             | Semi annual         |              |
| 144-A REG.S  | United States of America | 10/15/2013 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         |              |
| 144-A REG.S  | United States of America | 10/15/2014 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         |              |
| 114-A REG.S  | United States of America | 1/15/2019  | Fixed | US\$     | 600,000   | Maturity             | Semi annual         |              |
| 114-A REG.S  | United States of America | 11/4/2020  | Fixed | US\$     | 1,000,000 | Maturity             | Semi annual         |              |
| 114-A REG.S  | United States of America | 11/3/2021  | Fixed | US\$     | 1,150,000 | Maturity             | Semi annual         |              |
| BCODE-B      | Chile                    | 4/1/2025   | Fixed | U.F.     | 6,900,000 | Maturity             | Semi annual         |              |
| 144-A REG.S  | United States of America | 9/21/2035  | Fixed | US\$     | 500,000   | Maturity             | Semi annual         |              |
| 144-A REG.S  | United States of America | 10/24/2036 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         |              |
| <b>TOTAL</b> |                          |            |       |          |           |                      |                     |              |

Nominal and effective interest rates presented above correspond to annual rates.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

At March 31, 2012, the detail of amounts due undiscounted that the Corporation has with financial institutions is as follows:

| 3/31/2012                 |          |                         |              |                      | Current           |                   |               |                    |
|---------------------------|----------|-------------------------|--------------|----------------------|-------------------|-------------------|---------------|--------------------|
| Debtor's name             | Currency | Effective interest rate | Nominal rate | Type of amortization | Less than 90 days | More than 90 days | Total Current | One to three years |
| THE BANK OF TOKYO M.      | US\$     | 1.32%                   | 1.22%        | Quarterly            | 329               | 986               | 1,315         | 2,633              |
| HSBC BANK BERMUDA LIMITED | US\$     | 1.44%                   | 1.32%        | Quarterly            | 584               | 1,754             | 2,338         | 4,683              |
| BBVA BANCOMER             | US\$     | 0.69%                   | 0.64%        | Quarterly            | 687               | 2,060             | 2,747         | 404,122            |
| EXPORT DEVELOP CANADA     | US\$     | 1.45%                   | 1.50%        | Quarterly            | 934               | 2,802             | 3,736         | 7,483              |
| BANCO SANTANDER LONDRES   | US\$     | 1.45%                   | 1.46%        | Quarterly            | 273               | 821               | 1,094         | 2,192              |
| BANCO SANTANDER S.A.      | US\$     | 1.45%                   | 1.32%        | Quarterly            | 360               | 1,081             | 1,441         | 2,888              |
| SUMITOMO MITSUI BANKING   | US\$     | 1.40%                   | 1.40%        | Quarterly            | 333               | 1,047             | 1,380         | 2,644              |
| BONO 144-A REG. 2012      | US\$     | 6.48%                   | 6.38%        | Semi annual          | 14,072            | 449,078           | 463,150       | -                  |
| BONO 144-A REG. 2013      | US\$     | 5.57%                   | 5.50%        | Semi annual          | 13,910            | 13,914            | 27,824        | 527,842            |
| BONO 144-A REG. 2014      | US\$     | 4.99%                   | 4.75%        | Semi annual          | 12,392            | 12,404            | 24,796        | 549,753            |
| BONO 144-A REG. 2035      | US\$     | 5.78%                   | 5.63%        | Semi annual          | 14,161            | 28,330            | 42,491        | 56,696             |
| BONO 144-A REG. 2036      | US\$     | 6.22%                   | 6.15%        | Semi annual          | 15,411            | 15,412            | 30,823        | 61,661             |
| BONO 144-A REG. 2019      | US\$     | 7.79%                   | 7.50%        | Semi annual          | -                 | 46,030            | 46,030        | 92,311             |
| BONO 144-A REG. 2020      | US\$     | 3.98%                   | 3.75%        | Semi annual          | 19,569            | 19,585            | 39,154        | 78,510             |
| BONO 144-A REG. 2021      | US\$     | 4.07%                   | 3.88%        | Semi annual          | 23,018            | 23,033            | 46,051        | 92,286             |
| Total ThUS\$              |          |                         |              |                      | 116,033           | 618,337           | 734,370       | 1,885,704          |
| BONO BCODE-A 2012         | U.F.     | 4.45%                   | 3.96%        | Semi annual          | -                 | 7,155,360         | 7,155,360     | -                  |
| BONO BCODE-B 2025         | U.F.     | 3.24%                   | 4.00%        | Semi annual          | 121,032           | 241,235           | 241,235       | 359,711            |
| Total U.F.                |          |                         |              |                      | 121,032           | 7,396,595         | 7,396,595     | 359,711            |
| Total ThUS\$              |          |                         |              |                      | 5,199             | 317,714           | 317,714       | 15,451             |
| Total US\$                |          |                         |              |                      | 121,232           | 936,051           | 1,052,084     | 1,901,155          |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

At December 31, 2011, the detail of amounts due undiscounted that the Corporation has with follows:

| 12/31/2011                |          |                         |              |                      | Current           |                   |               | One to three years |  |
|---------------------------|----------|-------------------------|--------------|----------------------|-------------------|-------------------|---------------|--------------------|--|
| Debtor's name             | Currency | Effective interest rate | Nominal rate | Type of amortization | Less than 90 days | More than 90 days | Total Current |                    |  |
| THE BANK OF TOKYO M.      | US\$     | 1.42%                   | 1.32%        | Quarterly            | 353               | 1,059             | 1,412         | 2,826              |  |
| HSBC BANK BERMUDA LIMITED | US\$     | 1.53%                   | 1.41%        | Quarterly            | 619               | 1,858             | 2,477         | 4,961              |  |
| BBVA BANCOMER             | US\$     | 0.80%                   | 0.75%        | Quarterly            | 798               | 2,394             | 3,192         | 405,588            |  |
| EXPORT DEVELOP CANADA     | US\$     | 1.50%                   | 1.38%        | Quarterly            | 933               | 2,802             | 3,735         | 7,481              |  |
| BANCO SANTANDER LONDRES   | US\$     | 1.49%                   | 1.36%        | Quarterly            | 277               | 833               | 1,110         | 2,223              |  |
| BANCO SANTANDER S.A.      | US\$     | 1.55%                   | 1.42%        | Quarterly            | 385               | 1,155             | 1,540         | 3,084              |  |
| SUMITOMO MITSUI BANKING   | US\$     | 1.45%                   | 1.38%        | Quarterly            | 348               | 1,084             | 1,432         | 2,791              |  |
| BONO 144-A REG. 2012      | US\$     | 6.48%                   | 6.38%        | Semi annual          | -                 | 463,150           | 463,150       | -                  |  |
| BONO 144-A REG. 2013      | US\$     | 5.57%                   | 5.50%        | Semi annual          | -                 | 27,824            | 27,824        | 527,842            |  |
| BONO 144-A REG. 2014      | US\$     | 4.99%                   | 4.75%        | Semi annual          | -                 | 24,796            | 24,796        | 549,753            |  |
| BONO 144-A REG. 2035      | US\$     | 5.78%                   | 5.63%        | Semi annual          | 14,161            | 28,324            | 42,485        | 56,684             |  |
| BONO 144-A REG. 2036      | US\$     | 6.22%                   | 6.15%        | Semi annual          | -                 | 30,823            | 30,823        | 61,661             |  |
| BONO 144-A REG. 2019      | US\$     | 7.79%                   | 7.50%        | Semi annual          | 22,986            | 23,005            | 45,991        | 92,224             |  |
| BONO 144-A REG. 2020      | US\$     | 3.98%                   | 3.75%        | Semi annual          | -                 | 39,154            | 39,154        | 78,510             |  |
| BONO 144-A REG. 2021      | US\$     | 4.07%                   | 3.88%        | Semi annual          | -                 | 46,050            | 46,050        | 92,286             |  |
| Total MUS\$               |          |                         |              |                      | 40,860            | 694,311           | 735,171       | 1,887,914          |  |
| BONO BCODE-A 2012         | U.F.     | 4.45%                   | 3.96%        | Semi annual          | 154,996           | 7,155,360         | 7,310,356     | -                  |  |
| BONO BCODE-B 2025         | U.F.     | 3.24%                   | 4.00%        | Semi annual          | 6,900             | 241,789           | 248,689       | 480,188            |  |
| Total U.F.                |          |                         |              |                      | 161,896           | 7,397,149         | 7,559,045     | 480,188            |  |
| Total ThUS\$              |          |                         |              |                      | 6,954             | 317,738           | 324,692       | 20,626             |  |
| Total US\$                |          |                         |              |                      | 47,814            | 1,012,049         | 1,059,863     | 1,908,540          |  |

Nominal and effective interest rates presented above correspond to annual rates.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

Payment commitments for financial leasing transactions are summarized in the following table:

| Financial Leasing          | 3/31/2012       |                   |                | 12/31/2011      |                   |                |
|----------------------------|-----------------|-------------------|----------------|-----------------|-------------------|----------------|
|                            | Gross<br>ThUS\$ | Interst<br>ThUS\$ | Net<br>ThUS\$  | Gross<br>ThUS\$ | Interst<br>ThUS\$ | Net<br>ThUS\$  |
| Less than one year         | 41,544          | (18,350)          | 23,194         | 28,897          | (5,943)           | 22,954         |
| Between one and five years | 72,517          | (25,365)          | 47,152         | 85,842          | (29,918)          | 55,924         |
| More than five years       | 85,778          | (29,235)          | 56,543         | 97,476          | (47,305)          | 50,171         |
| <b>Total</b>               | <b>199,839</b>  | <b>(72,950)</b>   | <b>126,889</b> | <b>212,215</b>  | <b>(83,166)</b>   | <b>129,049</b> |

Commitment to future payments for operating leases and lease payments recognized in the statements of comprehensive income are summarized in the following table:

|                                              | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|----------------------------------------------|---------------------|----------------------|
| <b>Futures payments for operating leases</b> |                     |                      |
| Less than one year                           | 842,637             | 160,208              |
| Between one and five years                   | 357,063             | 188,733              |
| More than five years                         | 69,527              | 118,033              |
| <b>Total</b>                                 | <b>1,269,227</b>    | <b>466,974</b>       |

|                                                          | 3/31/2012<br>ThUS\$ | 3/31/2011<br>ThUS\$ |
|----------------------------------------------------------|---------------------|---------------------|
| <b>Rental fees recognized in the Statement of Income</b> |                     |                     |
| Minimum payments for operating leases                    | 32,999              | 44,855              |

Contractual Financial Obligations Outstanding in millions of US\$:

| Contractual Financial Obligations | Total        | Less than<br>1 year | 1-2 years  | 2-3 years  | 3-5 years  | More than<br>5 years |
|-----------------------------------|--------------|---------------------|------------|------------|------------|----------------------|
| Long-term debt                    | 1,231        | 34                  | 12         | 400        | 785        | -                    |
| Notes payable                     | 5,884        | 768                 | 512        | 508        | -          | 4,095                |
| <b>Total</b>                      | <b>7,115</b> | <b>803</b>          | <b>524</b> | <b>908</b> | <b>785</b> | <b>4,095</b>         |

#### 14. Fair Value of financial assets and liabilities

As the book value of financial assets and liabilities is a reasonable approximation of their fair value, no incremental disclosures are required in accordance with IFRS 7.

#### 15. Fair value hierarchy

Each of the estimated market values for the Corporation's portfolio of financial instruments, is based on a calculation and data input methodology. Each of these methodologies has been analyzed to determine to which of the following levels they can be assigned:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

- Level 1 corresponds to Fair Value measurement methodologies through market quotes (unadjusted) in active markets and considering the same valued Assets and Liabilities.
- Level 2 corresponds to Fair Value measurement methodologies using market quote data, not included in Level 1, that are either directly (prices) or indirectly (derived from the prices) observable for the valued Assets and Liabilities.
- Level 3 corresponds to Fair Value measurement methodologies that use valuation techniques that include data on the valued Assets and Liabilities that are not supported by observable market data.

Based on the methodologies, inputs, and previous definitions the following market levels have been established for the financial instruments portfolio held by the Corporation at March 31, 2012:

| Financial Assets and liabilities at fair value with an effect in profit and loss statement | 3/31/2012         |                   |                   |                 |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                                                                            | Level 1<br>ThUS\$ | Level 2<br>ThUS\$ | Level 3<br>ThUS\$ | Total<br>ThUS\$ |
| <b>Financial Assets:</b>                                                                   |                   |                   |                   |                 |
| Provisionally priced sales contracts                                                       | -                 | 94,583            | -                 | 94,583          |
| Cross Currency Swap                                                                        | -                 | 157,068           | -                 | 157,068         |
| Mutual fund units                                                                          | 13,971            | -                 | -                 | 13,971          |
| Metals Futures                                                                             | 135,560           | -                 | -                 | 135,560         |
| <b>Financial Liabilities:</b>                                                              |                   |                   |                   |                 |
| Metals Futures                                                                             | 636,628           | -                 | -                 | 636,628         |

No transfers between different levels of market values were observed for the reporting period.

### 16. Trade and other payables

Total trade and other payables, current and non-current, are detailed as follows:

| Items                 | Current Liabilities |                      |
|-----------------------|---------------------|----------------------|
|                       | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
| Trade payables        | 1,273,424           | 1,475,980            |
| Dividends payables    | -                   | -                    |
| Payables to employees | 33,045              | 22,519               |
| Withholdings          | 99,045              | 88,723               |
| Tax withholdings      | 75,055              | 50,791               |
| Other payables        | 181,729             | 144,446              |
| <b>Total</b>          | <b>1,662,298</b>    | <b>1,782,459</b>     |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### 17. Other provisions

Other short-term accrued expenses and provisions as of the indicated dates are detailed as follows:

| Other provisions                             | Current             |                      | Non- Current        |                      |
|----------------------------------------------|---------------------|----------------------|---------------------|----------------------|
|                                              | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
| Trade (1)                                    | 18,867              | 14,562               | -                   | -                    |
| Operating (2)                                | 41,579              | 43,810               | -                   | -                    |
| Law No. 13,196                               | 91,331              | 110,350              | -                   | -                    |
| Sundry (3)                                   | 35,879              | 41,792               | 14,349              | 25,922               |
| Closure, decommissioning and restoration (4) | -                   | -                    | 854,411             | 861,530              |
| Contingencies                                | 519                 | -                    | 126,364             | 125,989              |
| <b>Total</b>                                 | <b>188,175</b>      | <b>210,514</b>       | <b>995,124</b>      | <b>1,013,441</b>     |

| Accrual for employee benefits               | Current             |                      | Non-current         |                      |
|---------------------------------------------|---------------------|----------------------|---------------------|----------------------|
|                                             | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
| Employees' collective bargaining agreements | 55,142              | 209,525              | -                   | -                    |
| Employee termination benefit                | 49,040              | 45,494               | 720,458             | 692,206              |
| Bonus                                       | 13,109              | 3,715                | -                   | -                    |
| Vacation                                    | 121,519             | 128,994              | -                   | -                    |
| Medical care programs (5)                   | 519                 | 521                  | 340,350             | 336,862              |
| Retirement plans (6)                        | 47,243              | 62,003               | -                   | -                    |
| Other                                       | 1,534               | 8,999                | 68,495              | 63,898               |
| <b>Total</b>                                | <b>288,106</b>      | <b>459,251</b>       | <b>1,129,303</b>    | <b>1,092,966</b>     |

- (1) Corresponds to a sales-related accrual, which includes charges for freight, loading, and unloading that were not invoiced at the end of the period.
- (2) Corresponds to a provision for customs duties, freight on purchases, electricity, among others.
- (3) Includes an accrual for uncompleted invoices for product purchases, which lowers the current provision and accrued expenses balance.
- (4) Corresponds to a provision for future closure costs primarily related to tailing dams, mine closure and other assets. This cost value is calculated to an actual value discounted at 3% annual rate and its discount period varies between 24 and 87 years.  
The new Law of mine closure, published in Official Journal November 11, 2011, will have future impact on this provision as explained in note 29 "Contingencies and restrictions"
- (5) Corresponds to an accrual for contributions to medical care institutions agreed upon with current and former employees.
- (6) Corresponds to an accrual for employees who have agreed to retire in accordance with plans in force for personnel retirement.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

Movements of Other provisions were as follows:

| Movements                         | 1/1/2012<br>3/31/2012                   |                         |                            |
|-----------------------------------|-----------------------------------------|-------------------------|----------------------------|
|                                   | Provision for<br>mine closure<br>ThUS\$ | Contingencies<br>ThUS\$ | Other provisions<br>ThUS\$ |
| <b>Opening balance</b>            | <b>861,530</b>                          | <b>125,989</b>          | <b>25,922</b>              |
| Annual cost                       | 157                                     | 44                      | 616                        |
| Financial expenses                | 8,774                                   | -                       | -                          |
| Payment of liabilities            | (15,484)                                | (790)                   | (945)                      |
| Foreign Exchange rate differences | (664)                                   | 1,121                   | (136)                      |
| Reverses                          | -                                       | -                       | (15,462)                   |
| Other variations                  | 98                                      | -                       | 4,354                      |
| <b>Final Balance</b>              | <b>854,411</b>                          | <b>126,364</b>          | <b>14,349</b>              |

### 18. Employee benefits

#### a) Provisions for post employment benefits and other long term benefits

Provision for post employment benefits corresponds to medical care plans and is intended to cover the payment obligations that the Corporation has contracted with its employees, according to contracts or collective bargaining agreements, to partially cover the costs of medical services.

Other long term benefits provision refers to employee termination benefit for years of service which is registered to reflect the termination liabilities to be paid to employees when they leave the Corporation based on the agreements in the employment contracts or collective bargaining agreements.

These accruals are recorded in the statement of financial position, at the present value of estimated future obligations. The discount rate applied is determined on the basis of the rates of financial instruments in the same currency in which the obligations are to be paid and with similar maturities.

The results from adjustments and changes in actuarial variables are charged or credited to the statements of comprehensive income in the period in which they occur.

Actuarial assumptions for calculating the employee termination benefit accrual are as follows:

| Actuarial assumptions       |                           |
|-----------------------------|---------------------------|
| Discount rate               | 6.35% to 20 years         |
| Turnover rate - resignation | 3.11% Men --- 0.25% Women |
| (Average) wage increase     | 0.9% - Annual             |
| Men's retirement age        | 65                        |
| Women's retirement age      | 60                        |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

The Corporation has used the effective mortality schedules issued by the Superintendency of Securities and Insurance, last updated in 2009.

Reconciliation of post employment benefit and other long term benefits provision:

| Movements                                        | 1/1/2012<br>3/31/2012     |                       | 1/1/2011<br>3/31/2011     |                       |
|--------------------------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
|                                                  | Retirement Plan<br>ThUS\$ | Health Plan<br>ThUS\$ | Retirement Plan<br>ThUS\$ | Health Plan<br>ThUS\$ |
| <b>Opening balance</b>                           | <b>741,073</b>            | <b>337,383</b>        | <b>846,460</b>            | <b>305,356</b>        |
| Cost                                             | 13,269                    | 3,177                 | 10,394                    | 10,308                |
| Finance expense                                  | 5,451                     | 921                   | 8,190                     | -                     |
| Indemnities paid                                 | (18,846)                  | (3,610)               | (44,942)                  | (2,850)               |
| <i>Subtotal</i>                                  | <b>740,947</b>            | <b>337,871</b>        | <b>820,102</b>            | <b>312,814</b>        |
| (Gains) Losses from foreign exchange differences | 28,551                    | 2,998                 | (140,210)                 | 1,947                 |
| <b>Total balance</b>                             | <b>769,498</b>            | <b>340,869</b>        | <b>679,892</b>            | <b>314,761</b>        |

#### b) Employee benefits expenses by nature of the benefits

| Expenses according to the nature of the Benefits | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|--------------------------------------------------|---------------------------------|---------------------------------|
| Current benefits                                 | 444,852                         | 414,236                         |
| Post-employment benefits                         | 3,177                           | 10,308                          |
| Employee termination benefits                    | 1,761                           | 21,175                          |
| Benefits for indemnities                         | 13,269                          | 10,394                          |
| <b>Total</b>                                     | <b>463,059</b>                  | <b>456,113</b>                  |

## 19. Net equity

In accordance with article 6 of Decree Law 1,350 of 1976, it is established that, before March 30 of each year, the Board must approve the corporation's Business and Development Plan for the next three-year period. Taking that plan as a reference, and keeping in mind the corporation's balance sheet for the immediately previous year, and in order to ensure its competitiveness, before June 30 of each year the amounts that the corporation shall allocate to the formation of capitalization funds and reserves shall be determined by founded decree from the Ministries of Mining and Treasury.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

Net income shown in the balance sheets, after deducting the amounts referred to in the previous paragraph, shall belong to the State and becomes part of the Nation's general income.

As of March 31, 2012 and December 31, 2011, no dividends payable were provisioned due to the Corporation's authorized net income withholding policy.

In the financial statement "Statement of Changes in Net Equity" the changes experienced in the Corporation's equity are disclosed.

Due to the bylaws that govern the Corporation, these financial statements do not consider disclosure of information related to earnings per share.

The movement and composition of other equity reserves is presented in the Consolidated Statement of Changes in Net Consolidated Equity.

a) Other reserves

Other equity reserves are listed in the table below, as of the dates indicated in each case.

| Other reserves                                      | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|-----------------------------------------------------|---------------------|----------------------|
| Foreign exchange differences on conversion reserves | 1,195               | 283                  |
| Cash flow hedge reserves                            | (254,632)           | (272,349)            |
| Capitalization fund and reserves                    | 1,456,476           | 1,456,476            |
| Other reserves                                      | 643,067             | 645,109              |
| <b>Total other reserves</b>                         | <b>1,846,106</b>    | <b>1,829,519</b>     |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### b) Non-controlling equity interests

The details of non-controlling equity interests, included in liabilities and net income, are listed in the table below, as of the dates indicated in each case.

| Company                                              | Net Equity   |              | Profit ( loss)        |                       |
|------------------------------------------------------|--------------|--------------|-----------------------|-----------------------|
|                                                      | 3/31/2012    | 12/31/2011   | 1/1/2012<br>3/31/2012 | 1/1/2011<br>3/31/2011 |
|                                                      | ThUS\$       | ThUS\$       | ThUS\$                | ThUS\$                |
| Asociación Garantizadora de Pensiones                | 22           | 21           | (1)                   | -                     |
| Biosigma S.A.                                        | 1,353        | 1,032        | (179)                 | (352)                 |
| Instituto de Innovación en Minería y Metalurgia S.A. | 4            | 4            | -                     | -                     |
| Clínica San Lorenzo Ltda.                            |              | -            | -                     | (5)                   |
| Micomo S.A.                                          | 928          | 946          | (18)                  | 57                    |
| Fundación de Salud El Teniente                       | 19           | 17           | (1)                   | (1)                   |
| <b>TOTAL</b>                                         | <b>2,326</b> | <b>2,020</b> | <b>(199)</b>          | <b>(301)</b>          |

#### 20. Operating income

The following table shows the sources of the Corporation's consolidated revenue.

| Item                                                 | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|------------------------------------------------------|---------------------------------|---------------------------------|
| Revenue from sales of the Corporation's copper       | 3,366,520                       | 3,915,947                       |
| Revenue from sales of copper bought to third parties | 428,906                         | 294,367                         |
| Revenue from sales of molybdenum                     | 159,393                         | 177,044                         |
| Revenue from sales of other products                 | 211,892                         | 253,615                         |
| Loss in futures market                               | (202,856)                       | (336,027)                       |
| <b>Total</b>                                         | <b>3,963,855</b>                | <b>4,304,946</b>                |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### 21. Expenses by nature

The Corporation's consolidated expenses by nature are detailed as follows:

| Item               | 1/1/2012<br>3/31/2012 | 1/1/2011<br>3/31/2011 |
|--------------------|-----------------------|-----------------------|
|                    | ThUS\$                | ThUS\$                |
| Personnel Expenses | 444,852               | 414,236               |
| Depreciation       | 255,669               | 245,233               |
| Amortization       | 137,133               | 113,945               |
| <b>Total</b>       | <b>837,654</b>        | <b>773,414</b>        |

#### 22. Other revenues and expenses by function

Other revenues and expenses by function are detailed in the following tables:

##### a) Other income by function

| Item                                | 1/1/2012<br>3/31/2012 | 1/1/2011<br>3/31/2011 |
|-------------------------------------|-----------------------|-----------------------|
|                                     | ThUS\$                | ThUS\$                |
| Penalties to suppliers              | 2,400                 | 4,864                 |
| Realized income                     | 1,147                 | 1,622                 |
| Miscellaneous sales (net)           | 10,554                | 41,905                |
| Profit of E-CL S.A. Sale            | -                     | 379,678               |
| Profit of Inca de Oro Sale          | -                     | 72,463                |
| Compensation by insurance companies | 7,122                 | 8                     |
| Other income                        | 4,345                 | 5,412                 |
| <b>Total</b>                        | <b>25,568</b>         | <b>505,952</b>        |



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### b) Other expenses by function

| Item                                       | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|--------------------------------------------|---------------------------------|---------------------------------|
| Law No. 13,196                             | (305,059)                       | (368,416)                       |
| Research expenses                          | (9,112)                         | (15,109)                        |
| Bonus for the end of collective bargaining | (13,667)                        | (1,482)                         |
| Retirement plan                            | (1,761)                         | (21,175)                        |
| Penalty fixed assets                       | (112)                           | -                               |
| Medical care plan                          | (3,177)                         | (10,308)                        |
| Other Expenses                             | (19,441)                        | (21,247)                        |
| <b>Total</b>                               | <b>(352,329)</b>                | <b>(437,737)</b>                |

#### 23. Finance costs

Finance costs are detailed as follows:

| Item                                                  | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|-------------------------------------------------------|---------------------------------|---------------------------------|
| Bond interests                                        | (42,479)                        | (43,835)                        |
| Bank loan interests                                   | (2,170)                         | (3,477)                         |
| Exchange differences on severance indemnity provision | (5,451)                         | (8,190)                         |
| Exchange differences on other non-current provisions  | (11,420)                        | (13,380)                        |
| Other                                                 | (8,074)                         | (6,800)                         |
| <b>Total</b>                                          | <b>(69,594)</b>                 | <b>(75,682)</b>                 |

#### 24. Operating segments

In Section II, "Summary of Significant Accounting Policies" it has been indicated that, in conformity with IFRS No. 8, "Operating Segments", its operating segments are determined according to the Divisions that make up Codelco. The revenues and expenses of the Parent Corporation, are distributed among the defined segments.

Mining sites in operation, in which the Corporation carries out its extractive and processing production processes, are managed divided into its Chuquicamata, Radomiro Tomic, Salvador, Andina and El Teniente divisions. Additionally the division of Ventanas is added that is operating only as a smelter and refinery. Those operations are administered independently and are reporting directly to the

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

Executive President. Additionally, in May 2008, the Gabriela Mistral mine site was added to the divisions specified above. The details and operations related to each mine are the following:

#### **Chuquicamata**

Types of mine sites: open pit mines

Operating: since 1915

Location: Calama - Region II

Products: electrorefined and electrolytic (electro-obtained) copper cathodes and copper concentrate

#### **Radomiro Tomic**

Types of mine sites: open pit mines

Operating: since 1997.

Location: Calama - Region II

Products: electrorefined and electrolytic (electro-obtained) copper cathodes and copper concentrate

#### **Salvador**

Type of mine: underground mine

Operating: since 1926

Location: Salvador - Region III

Products: electrorefined and electrolytic (electro-obtained) copper cathodes and copper concentrate

#### **Andina**

Type of mines: underground and open pit mines

Operating: since 1970

Location: Los Andes - Region V

Product: copper concentrate

#### **El Teniente**

Type of mine: underground mine

Operating: since 1905

Location: Rancagua - Region VI

Products: fire-refined copper and copper anodes

#### **Gabriela Mistral**

Type of mine: open pit mine

Operating: since 2008

Location: Calama - Region II

Products: electrolytic (electro-obtained) cathodes

The exploitation of the “Mina Ministro Hales” mine was authorized on November 19, 2010, forming a new division with an estimated opening date of operation at the end of 2013.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### a) Head Office Distribution

Revenue and expenses controlled by the Parent Corporation are allotted to operating segments based on the criteria detailed as follows.

Main items are allocated according to the following criteria:

##### *Sales and Cost of Sales of Head Office commercial transactions*

- Distribution to the operating segments made proportionally to the value of the products and sub-products invoiced by each Division.

##### *Other income, by function*

- Other income by function, associated and identified with each operating segment, is allotted directly.
- Recognition of realized profits and other income by function of subsidiaries is distributed in proportion to the operating income of each operating segment.
- The remaining other income is distributed in proportion to the addition of balances of “other income” and “finance income” of the respective operating segment.

##### *Distribution costs*

- Expenses associated and identified with each operating segment are allotted directly.
- Distribution costs of subsidiaries are allotted in proportion to the operating income of each operating segment.

##### *Administrative Expenses*

- Administrative expenses associated and identified with each segment are allotted directly.
- Administrative expenses are recorded in cost centers associated with the sales function. Administrative expenses of subsidiaries are distributed in proportion to the operating income of each operating segment.
- Administrative expenses recorded in cost centers associated with the supply function are allocated in relation to material account balances in each division warehouse
- The remaining administrative expenses are distributed in relation to operating cash expenses of each operating segment.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note 1.2)

---

#### *Other Expenses, by function*

- Expenses associated and identified with each operating segment are allotted directly.
- Expenses for pre-investment studies and other expenses of subsidiaries by function are distributed in proportion to the operating income of each operating segment.

#### *Other Earnings*

- Other earnings associated and identified with each individual operating segment are allotted directly
- Other earnings of subsidiaries are distributed in proportion to the operating income of each operating segment.

#### *Finance Income*

- Finance income associated and identified with each operating segment is allotted directly.
- Finance income of subsidiaries is distributed in proportion to the operating income of each operating segment.
- The remaining finance income is distributed in relation to the operating cash expenses of each operating segment.

#### *Finance costs*

- Finance costs associated and identified with each operating segment in particular are allotted directly.
- Finance costs of subsidiaries are distributed in proportion to the operating income of each operating segment.

#### *Share in profit (losses) of Associates and joint ventures, which are accounted for using the equity method*

- The share in profit or losses of associates and joint ventures identified for each individual operating segment is allotted directly.

#### *Foreign currency conversion*

- Foreign currency conversion identifiable with each individual operating segment is allotted directly.
- Foreign currency conversion of subsidiaries is distributed in proportion to the operating income of each operating segment.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

- The remaining foreign currency conversion is distributed in relation to operating cash expenses of each operating segment.

#### *Contribution to the Treasury of Chile Law No. 13,196*

- The amount of the contribution is distributed and accounted for in relation to values invoiced and accounted for in the copper and sub-product exports of each operating segment, subject to taxation.

#### *Income tax income (expenses)*

- First category income tax (corporate), of D.L. 2,398 and specific mining tax are distributed based on the pre-tax income of each operating segment, considering for this purpose the income and expenses distribution criteria of the Head Office and subsidiaries mentioned above.
- Other tax expenses are distributed in proportion to the first category income tax, specific mining tax and D.L. 2,398 allotted to each operating segment.

#### **b) Transactions between segments**

Transactions between segments are made up mainly by products processing services (or maquilas), which are recognized as revenue for the segment that makes maquilas and as the cost of sales for the segment that receives the service. Such recognition is performed in the period in which these services are provided, as well as disposal of both factors on corporate financial statements.

#### **c) Cash flow from segments**

The operating segments defined by the Corporation, maintain a cash management which refers mainly to operational activities that need to be covered periodically with fixed funds constituted in each of these segments and whose amounts are not significant in the context of the category Corporate balances cash and cash equivalents.

In other hand, activities like obtaining financing, investment and payment of relevant duties are mainly based at the Head Office.

Accordingly to previous information, in the next tables the financial information organized by operating segment is detailed as follows:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

| From 1/1/2012<br>to 3/31/2012                                                              |                  |                  |                  |                  |                  |                  |                  |              |
|--------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------|
| Segments                                                                                   | Chuquicamata     | R. Tomic         | Salvador         | Andina           | El Teniente      | Ventanas         | G. Mistral       | M. Hales     |
|                                                                                            | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$       |
| Revenue from sales of the Corporations's copper                                            | 625,234          | 771,326          | 169,404          | 509,423          | 849,976          | 163,731          | 268,880          | -            |
| Revenue from sales of copper bought from third parties                                     | -                | -                | -                | -                | -                | 23,085           | -                | -            |
| Revenue from sales of molybdenum                                                           | 68,250           | 16,644           | 6,551            | 21,326           | 46,622           | -                | -                | -            |
| Revenue from sales of other products                                                       | 55,485           | -                | 20,003           | 492              | 63,697           | 72,465           | -                | -            |
| Revenue from futures market                                                                | (28,878)         | (51,876)         | (10,779)         | (41,687)         | (53,540)         | -                | (16,102)         | -            |
| Revenue between segments                                                                   | 25,636           | -                | 14,253           | 398              | 432              | 13,605           | -                | -            |
| <b>Revenue from regular activities</b>                                                     | <b>745,727</b>   | <b>736,094</b>   | <b>199,432</b>   | <b>489,952</b>   | <b>907,187</b>   | <b>272,886</b>   | <b>252,778</b>   | <b>-</b>     |
| Cost of sales of the Corporation's copper                                                  | (452,459)        | (316,343)        | (164,675)        | (206,525)        | (319,479)        | (168,236)        | (137,601)        | -            |
| Cost of sales of copper bought from third parties                                          | -                | -                | -                | -                | -                | (28,540)         | -                | -            |
| Cost of sales of molybdenum                                                                | (15,986)         | (8,563)          | (4,831)          | (5,093)          | (13,107)         | -                | -                | -            |
| Cost of sales of other products                                                            | (9,021)          | -                | (9,643)          | (5)              | (30,205)         | (77,360)         | -                | -            |
| Cost of sales between segments                                                             | 22,086           | 97,953           | 2,393            | 11,950           | 39,067           | 4,052            | -                | -            |
| <b>Cost of sales</b>                                                                       | <b>(455,380)</b> | <b>(226,953)</b> | <b>(176,756)</b> | <b>(199,673)</b> | <b>(323,724)</b> | <b>(270,084)</b> | <b>(137,601)</b> | <b>-</b>     |
| <b>Gross Profit</b>                                                                        | <b>290,347</b>   | <b>509,141</b>   | <b>22,676</b>    | <b>290,279</b>   | <b>583,463</b>   | <b>2,802</b>     | <b>115,177</b>   | <b>-</b>     |
| Other revenue per function                                                                 | 3,330            | 1,474            | 2,264            | 1,441            | 13,234           | 276              | -                | -            |
| Distribution costs                                                                         | (29)             | (12)             | (12)             | (48)             | (81)             | -                | -                | -            |
| Administrative expenses                                                                    | (18,834)         | (13,667)         | (6,288)          | (7,593)          | (15,317)         | (3,616)          | (6,515)          | 44           |
| Other expenses per function                                                                | (7,038)          | (2,236)          | (3,398)          | (16,573)         | (6,875)          | (314)            | -                | (4)          |
| Other gains (losses)                                                                       | -                | -                | -                | -                | -                | -                | -                | -            |
| Finance income                                                                             | 1,129            | 561              | 188              | 485              | 1,800            | 291              | 226              | 4            |
| Finance costs                                                                              | (23,035)         | (4,092)          | (1,525)          | (16,565)         | (11,492)         | (674)            | (9,870)          | (3)          |
| Share in the profit (loss) of associates and joint ventures accounted by the equity method | 360              | -                | 57               | 343              | -                | -                | (6,348)          | -            |
| Exchange differences, net                                                                  | (34,919)         | (3,700)          | (7,313)          | (13,309)         | (16,848)         | (3,284)          | 108              | 1,766        |
| <b>Profit (loss) before taxes</b>                                                          | <b>211,311</b>   | <b>487,469</b>   | <b>6,649</b>     | <b>238,460</b>   | <b>547,884</b>   | <b>(4,519)</b>   | <b>92,778</b>    | <b>1,807</b> |
| Income tax expenses                                                                        | (36,087)         | (229,268)        | 21,033           | (123,328)        | (290,583)        | 23,436           | (44,749)         | (1,014)      |
| <b>Profit (loss)</b>                                                                       | <b>175,224</b>   | <b>258,201</b>   | <b>27,682</b>    | <b>115,132</b>   | <b>257,301</b>   | <b>18,917</b>    | <b>48,029</b>    | <b>793</b>   |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

| From 1/1/2011<br>to 3/31/2011                                                              |                  |                  |                  |                  |                  |                  |                 |                |
|--------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|----------------|
| Segments                                                                                   | Chuquicamata     | R. Tomic         | Salvador         | Andina           | El Teniente      | Ventanas         | G. Mistral      | M. Hales       |
|                                                                                            | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$          | ThUS\$         |
| Revenue from sales of the Corporations's copper                                            | 931,272          | 881,853          | 302,268          | 529,465          | 900,003          | 150,830          | 184,093         | -              |
| Revenue from sales of copper bought from third parties                                     | -                | -                | -                | -                | -                | 1,181            | -               | -              |
| Revenue from sales of molybdenum                                                           | 96,268           | -                | 6,932            | 23,294           | 50,550           | -                | -               | -              |
| Revenue from sales of other products                                                       | 109,198          | -                | 35,317           | 5,653            | 41,753           | 94,838           | -               | -              |
| Revenue from futures market                                                                | (77,318)         | (73,669)         | (29,374)         | (59,101)         | (80,439)         | -                | (16,423)        | -              |
| Revenue between segments                                                                   | -                | -                | -                | -                | -                | -                | -               | -              |
| <b>Revenue from regular activities</b>                                                     | <b>1,059,420</b> | <b>808,184</b>   | <b>315,143</b>   | <b>499,311</b>   | <b>911,867</b>   | <b>246,849</b>   | <b>167,670</b>  | <b>-</b>       |
| Cost of sales of the Corporation's copper                                                  | (597,590)        | (244,531)        | (245,560)        | (217,836)        | (293,910)        | (159,333)        | (81,593)        | -              |
| Cost of sales of copper bought from third parties                                          | -                | -                | -                | -                | -                | (3,676)          | -               | -              |
| Cost of sales of molybdenum                                                                | (16,407)         | -                | (2,103)          | (4,562)          | (9,284)          | -                | -               | -              |
| Cost of sales of other products                                                            | (83,492)         | 9,869            | (28,100)         | 4,228            | (25,224)         | (86,465)         | -               | -              |
| Cost of sales between segments                                                             | 9,586            | 7,313            | 2,852            | 4,518            | 8,251            | 2,234            | 1,517           | -              |
| <b>Cost of sales</b>                                                                       | <b>(687,903)</b> | <b>(227,349)</b> | <b>(272,911)</b> | <b>(213,652)</b> | <b>(320,167)</b> | <b>(247,240)</b> | <b>(80,076)</b> | <b>-</b>       |
| <b>Gross Profit</b>                                                                        | <b>371,517</b>   | <b>580,835</b>   | <b>42,232</b>    | <b>285,659</b>   | <b>591,700</b>   | <b>(391)</b>     | <b>87,594</b>   | <b>-</b>       |
| Other revenue per function                                                                 | 75,281           | 33,070           | 22,816           | 28,134           | 75,961           | 10,386           | 6,515           | -              |
| Distribution costs                                                                         | (699)            | (491)            | (194)            | (358)            | (614)            | (150)            | (102)           | -              |
| Administrative expenses                                                                    | (35,328)         | (5,863)          | (6,241)          | (8,616)          | (17,997)         | (3,876)          | (6,342)         | (1.196)        |
| Other expenses per function                                                                | (149,915)        | (88,413)         | (32,531)         | (48,540)         | (81,228)         | (19,216)         | (17,420)        | -              |
| Other gains (losses)                                                                       | -                | -                | -                | -                | -                | -                | -               | -              |
| Finance income                                                                             | 3,661            | 493              | 587              | 918              | 2,305            | 348              | 263             | -              |
| Finance costs                                                                              | (23,245)         | (4,010)          | (4,549)          | (17,847)         | (14,374)         | (839)            | (8,349)         | -              |
| Share in the profit (loss) of associates and joint ventures accounted by the equity method | 58,029           | 43,682           | 17,311           | 26,862           | 49,286           | 13,342           | 3,538           | -              |
| Exchange differences, net                                                                  | 37,438           | 5,567            | 3,452            | 9,010            | 13,538           | 911              | 2,287           | 88             |
| <b>Profit (loss) before taxes</b>                                                          | <b>336,739</b>   | <b>564,870</b>   | <b>42,883</b>    | <b>275,222</b>   | <b>618,577</b>   | <b>515</b>       | <b>67,984</b>   | <b>(1.108)</b> |
| Income tax expenses                                                                        | (201,684)        | (355,563)        | (18,332)         | (173,933)        | (388,706)        | 6,656            | (40,985)        | 748            |
| <b>Profit (loss)</b>                                                                       | <b>135,055</b>   | <b>209,307</b>   | <b>24,551</b>    | <b>101,289</b>   | <b>229,871</b>   | <b>7,171</b>     | <b>26,999</b>   | <b>(360)</b>   |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

The assets and liabilities related to each operating segment, including the Corporation's corporate center (Parent Corporation) as of March 31, 2012 and December 31, 2011 are detailed in the following tables:

| 3/31/2012               |              |                |          |           |             |          |            |           |                                          |                    |
|-------------------------|--------------|----------------|----------|-----------|-------------|----------|------------|-----------|------------------------------------------|--------------------|
| Balance Sheet Item      | Chuquicamata | Radomiro Tomic | Salvador | Andina    | El Teniente | Ventanas | G. Mistral | M. Hales  | Subsidiaries, associates and Parent, net | Consolidated Total |
|                         | ThUS\$       | ThUS\$         | ThUS\$   | ThUS\$    | ThUS\$      | ThUS\$   | ThUS\$     | ThUS\$    | ThUS\$                                   | ThUS\$             |
| Current Assets          | 1,281,955    | 750,191        | 331,908  | 468,294   | 740,526     | 288,445  | 241,191    | 107,437   | 1,820,387                                | 6,030,334          |
| Non-current assets      | 2,778,892    | 1,293,302      | 595,187  | 3,276,265 | 3,066,475   | 232,776  | 994,642    | 1,097,526 | 1,932,645                                | 15,267,710         |
| Current liabilities     | 541,648      | 152,276        | 120,989  | 201,370   | 367,857     | 162,908  | 669        | 115,236   | 2,642,770                                | 4,305,723          |
| Non-current liabilities | 978,628      | 200,083        | 191,854  | 161,344   | 614,139     | 31,965   | 206        | -         | 8,277,961                                | 10,456,180         |

| 12/31/2011              |              |                |          |           |             |          |            |          |                                          |                    |
|-------------------------|--------------|----------------|----------|-----------|-------------|----------|------------|----------|------------------------------------------|--------------------|
| Balance Sheet Item      | Chuquicamata | Radomiro Tomic | Salvador | Andina    | El Teniente | Ventanas | G. Mistral | M. Hales | Subsidiaries, associates and Parent, net | Consolidated Total |
|                         | ThUS\$       | ThUS\$         | ThUS\$   | ThUS\$    | ThUS\$      | ThUS\$   | ThUS\$     | ThUS\$   | ThUS\$                                   | ThUS\$             |
| Current Assets          | 1,234,261    | 714,252        | 337,625  | 298,668   | 796,300     | 251,296  | 220,463    | 93,490   | 1,960,565                                | 5,906,920          |
| Non-current assets      | 2,821,238    | 1,300,334      | 561,810  | 3,251,603 | 2,987,947   | 219,644  | 1,023,682  | 954,785  | 1,806,981                                | 14,928,024         |
| Current liabilities     | 629,056      | 181,284        | 144,564  | 232,512   | 425,734     | 106,737  | 463        | 127,904  | 2,567,828                                | 4,416,082          |
| Non-current liabilities | 942,489      | 198,249        | 207,987  | 155,702   | 617,029     | 30,059   | 206        | -        | 8,202,111                                | 10,353,832         |

Revenue classified by geographical area is detailed as follows:

| Revenue per geographical areas       | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|--------------------------------------|---------------------------------|---------------------------------|
| Total revenue from local customers   | 291,796                         | 298,481                         |
| Total revenue from foreign customers | 3,672,059                       | 4,006,465                       |
| <b>Total</b>                         | <b>3,963,855</b>                | <b>4,304,946</b>                |

| Revenue per geographical areas | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|--------------------------------|---------------------------------|---------------------------------|
| China                          | 898,733                         | 1,247,278                       |
| Rest of Asia                   | 81,568                          | 936,948                         |
| Europe                         | 621,173                         | 939,727                         |
| Other                          | 2,362,381                       | 1,180,993                       |
| <b>Total</b>                   | <b>3,963,855</b>                | <b>4,304,946</b>                |

Sales are allocated to different geographical areas depending on the residence of the clients that have signed sales contracts with Codelco.

Non-current assets other than financial instruments, deferred tax assets, Post-employment benefit assets, and rights arising under insurance contracts, are located mainly in Chile, with exceptions if not being significant, located in foreign subsidiaries, and that do not exceed more than 1% of such assets.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### 25. Foreign exchange differences, net

According to Decree Law 1,350, the Corporation maintains its accounting records in United States dollars (US\$), recording transactions in currencies other than U.S. dollars at the exchange rate current at the date of each transaction and subsequently updating them, when necessary, according to the exchange rate determined by the Superintendency of Securities and Insurance as of closing reporting for each of the financial statements.

The following table summarizes the foreign exchange differences in Codelco Chile and subsidiaries' interim consolidated statements of income:

| <b>Gain (Loss) from foreign exchange differences recognized in income</b> | <b>1/1/2012<br/>3/31/2012<br/>ThUS\$</b> | <b>1/1/2011<br/>3/31/2011<br/>ThUS\$</b> |
|---------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Gain from foreign exchange differences                                    | 106,548                                  | 111,840                                  |
| Loss from foreign exchange differences                                    | (179,519)                                | (33,559)                                 |
| <b>Total foreign exchange differences, net</b>                            | <b>(72,971)</b>                          | <b>78,281</b>                            |

#### 26. Statement of cash flows

The following table shows the items that comprise other collections and payments from operating activities in the Statement of Cash Flows:

| <b>Other collections from operating activities</b> | <b>1/1/2012<br/>3/31/2012<br/>ThUS\$</b> | <b>1/1/2011<br/>3/31/2011<br/>ThUS\$</b> |
|----------------------------------------------------|------------------------------------------|------------------------------------------|
| VAT Refund                                         | 399,639                                  | 368,529                                  |
| Other                                              | 113,256                                  | 568,113                                  |
| <b>Total</b>                                       | <b>512,895</b>                           | <b>936,642</b>                           |

| <b>Other payments for operating activities</b>         | <b>1/1/2012<br/>3/31/2012<br/>ThUS\$</b> | <b>1/1/2011<br/>3/31/2011<br/>ThUS\$</b> |
|--------------------------------------------------------|------------------------------------------|------------------------------------------|
| Contribution to the Chilean Treasury ( Law No. 13,196) | (318,982)                                | (407,687)                                |
| Finance hedges and sales                               | (217,246)                                | (304,003)                                |
| VAT and other similar taxes paid                       | (391,658)                                | (323,422)                                |
| <b>Total</b>                                           | <b>(927,886)</b>                         | <b>(1,035,112)</b>                       |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| Other collections from investing activities | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|---------------------------------------------|---------------------------------|---------------------------------|
| Sale of ECL-S.A.                            | -                               | 1,055,351                       |
| Sale of Inca de Oro S.A.                    | -                               | 33,000                          |
| <b>Total</b>                                | -                               | <b>1,088,351</b>                |

On February, 15, 2011 the association of Codelco with Minera PanAust IDO Ltda. was approved in relation to the mine site Inca de Oro. Additionally, Codelco became the holder of an equity interest of 34%, down from 100%, ceding control of Inca de Oro S.A. to PanAust IDO Ltda.

| Loss of control over subsidiaries                                                 | 1/1/2012<br>3/31/2012<br>ThUS\$ | 1/1/2011<br>3/31/2011<br>ThUS\$ |
|-----------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Total consideration received                                                      | -                               | 33,000                          |
| Consideration consisting of cash and cash equivalents                             | -                               | 33,000                          |
| Cash and cash equivalents loss in the subsidiaries                                | -                               | 575                             |
| Assets and liabilities other than cash or cash equivalents in the subsidiaries(*) | -                               |                                 |
| <i>Current Assets</i>                                                             | -                               | 489                             |
| <i>Non- current Assets</i>                                                        | -                               | 2,665                           |
| <i>Current Liabilities</i>                                                        | -                               | 18                              |
| <i>Non- current Liabilities</i>                                                   | -                               | -                               |

(\*) Statement of Financial Position as of January 1, 2011

## 27. Financial risk management, objectives and policies

Codelco has created committees within its organization to generate strategies with which to minimize the financial risks to which it may be exposed.

As March 31, 2012, the Market Risk Management Committee and the Vice-presidency of Management and Finance and the Vice-presidency of Commercialization are responsible for this.

The risks to which Codelco is exposed are detailed as follows, along with a brief description of the management procedures that are carried out in each case.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **a. Financial risks**

##### **- Exchange rate risk:**

According to IFRS 7, exchange rate risk is understood to be the risk that arises from financial instruments that are denominated in foreign currencies, that is, a currency other than the Corporation's functional currency (U.S. dollar).

Codelco's activities that generate this exposure correspond to funding in UF, accounts payable and receivable in Chilean pesos, other foreign currencies used in its business operations and obligations with employees.

The majority of transactions in currencies other than US\$ are denominated in Chilean pesos.

Taking the assets and financial liabilities as of March 31, 2012 as the base, a fluctuation (positive or negative) of 10 Chilean pesos against the U.S. dollar (keeping the other variables constant), could affect profits by + / - US\$20 million. This result is obtained by identifying the principle areas affected by exchange rate, including assets and financial liabilities, in order to measure the impact on income that a variation of +/- 10 Chilean pesos would have to US\$, with respect to the real exchange rate as of the date of this financial statement.

##### **- Interest rate risk:**

This risk is generated by interest rate fluctuations in Codelco's investment and financing activities. This movement can affect future cash flows or the market value of fixed rate financial instruments.

These rate variations refer to U.S. dollar variations, mostly with respect to the LIBOR rate. To manage this risk, Codelco maintains an adequate combination of fixed and variable rate debt, which is complemented by the possibility of using interest-rate derivatives to meet the strategic guidelines defined by Codelco's Corporate Finance Department.

It is estimated that, on the basis of net debt as of March 31, 2012, a 1% change in interest rates on the financial liabilities subject to variable interest rates would mean approximately a US\$3 million change in finance costs, before tax. This estimation is made by identifying the liabilities assigned to variable interest, accrued at the end of the financial statements, which may vary with a change of one percentage point in variable interest rates.

Total fixed and variable interest rate obligations maintained by Codelco as of March 31, 2012, amount to ThUS\$ 5,883,961 y ThUS\$ 1, 230,711 respectively.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **b. Market risks**

##### **- Commodity price risk:**

As a result of its commercial operations and activities, the Corporation's income is mainly exposed to the volatility of copper prices and certain sub-products such as gold and silver.

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average market price for specified future periods. The host contract is the sale of metals contained in the concentrate or cathode at the provisional invoice price, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At the reporting date, the provisionally priced metal sales are marked-to-market, with adjustments (both gains and losses) being recorded in revenues in the consolidated statements of comprehensive income. Forward prices at the period end are used for copper sales, while period-end average prices are used for molybdenum concentrate sales due to the absence of assets futures market.

As of March 31, 2012, if the future price of copper were to vary by + / - 5% (with the other variables constant), net income would vary by + / - US\$137 million as a result of the mark to market adjustment of sales revenue at provisional prices current at March 31, 2012 (ThTMF 337). For the indicated estimate, all physical sales contracts were identified that will be valued according to the average of the month immediately prior to the closing date of the financial statements, after which the definitive liquidation price will be estimated if there is a difference of +/- 5% with respect to the known future price on that date for the given period.

In order to protect its cash flows and, if necessary, adjust its sales contracts to its commercial policy, the Corporation performs transactions in the copper futures market. At the reporting date, the contracts are adjusted to their fair value, registering that effect, at the maturity of the hedge operations, being recorded in revenues of product sales.

Forward prices at the period-end are used for copper sales, while period-end average prices are used for molybdenum concentrate sales due to the absence of assets future market.

As of March 31, 2012, a US¢ 1 variation in the price per pound of copper, because of the effect on derivative instrument contracts entered into by the Corporation, would result in a variation in revenue or payments for existing contracts (exposure) of US\$2 million, before taxes. This calculation is obtained from a simulation of the change of future copper prices, which are used to value all derivative instruments entered into by the Corporation. Estimates will vary if there is an increase / decrease of U.S. ¢ 1 in the price of the pound of copper.

No hedging contracts have been entered into for the specific purpose of mitigating the price risk caused by fluctuations in the price of production supplies.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### c. Liquidity risk

The Corporation ensures that it has sufficient resources, such as pre-approved credit lines (including refinancing), in order to meet short-term requirements, after considering the necessary working capital for its operations and any other commitments it has.

In this sense, Codelco Chile maintains resources at its disposal sufficient to meet its obligations, whether in cash, liquid financial instruments or credit facilities. .

In addition, the Finance Department constantly monitors the Corporation's cash flow projections based on short and long term projections and available financing alternatives. In addition, the Corporation estimates that it has enough room to increase the level of borrowing for the normal requirements of its operations and investments established in its development plan.

In this context, according to current existing commitments with creditors, the cash requirements to cover financial liabilities classified by maturity and presented in the statement of financial position are detailed as follows:

| <b>Maturities of financial liabilities<br/>at March 31, 2012</b> | <b>Less than<br/>a year<br/>ThUS\$</b> | <b>Between one<br/>and five years<br/>ThUS\$</b> | <b>More than<br/>five years<br/>ThUS\$</b> |
|------------------------------------------------------------------|----------------------------------------|--------------------------------------------------|--------------------------------------------|
| Loans from financial institutions                                | 34,225                                 | 1,196,486                                        | -                                          |
| Bonds                                                            | 849,985                                | 996,546                                          | 4,037,330                                  |
| Finance leases                                                   | 23,194                                 | 47,152                                           | 56,543                                     |
| Derivatives                                                      | 674,289                                | -                                                | -                                          |
| Other financial liabilities                                      | 5,980                                  | 86,051                                           | -                                          |
| <b>Total</b>                                                     | <b>1,587,673</b>                       | <b>2,326,235</b>                                 | <b>4,093,873</b>                           |

#### d. Credit risk

This risk comprises the possibility that a third party does not fulfill its contractual obligations, thereby causing a loss for the Corporation.

Given the Corporation's sales policy, principally with cash and advance payments and bank letters of credit, the uncollectibility of client debt balances is minimal. This is complemented by the familiarity the Corporation has with its clients and the length of time it has operated with them. Therefore, the credit risk of these transactions is not significant.

In general, the Corporation's other accounts receivable have a high credit quality according to the Corporation's evaluations, based on each debtor's solvency analysis and payment history.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

The maximum credit risk exposure as of March 31, 2012 is reliably represented by the financial asset items presented in the Corporation's Statement of Financial Position.

The Corporation's accounts receivable do not include customers with balances that could be classified as a significant concentration of debt and would represent a material exposure for Codelco. This exposure is distributed among a large number of clients and other counterparties.

The client items include allowances, which are not significant, designed to cover possible insolvencies. These provisions are determined based on review of the debt balances and the clients' characteristics, to cover possible insolvencies.

Explanatory note 2 in "Trade and other receivables" presents overdue balances that have not been impaired.

The Corporation estimates that unimpaired amounts overdue over 30 days are recoverable based on clients' historical payment behavior and their existing credit ratings.

As of March 31, 2012 and December 31, 2011, there are no receivable balances that have been renegotiated.

Codelco works with major banks, which have high national and international ratings, and continually assesses them; therefore, the risk that could affect the availability of the Corporation's funds and financial instruments is not significant.

Also, in some cases, to minimize credit risk, the Corporation has contracted credit insurance policies through which it transfers to third parties the commercial risk associated with some aspects of its business.

During the first quarter of 2012 and 2011, no assets have been obtained as a result of the execution of guarantees contracted to insure the collection of third party debt.

Personnel loans are mainly generated by mortgage loans, according to programs included in collective agreements, which are guaranteed by housing mortgages which are paid for through payroll discounts.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### 28. Derivatives contracts

As stated in the Board of Directors' policy, ratified on March 27, 2009, the Corporation has operations to hedge cash flows, to minimize the risk of foreign exchange rate variations and sales price variations, detailed as follows:

##### a. Exchange rate hedges

The Corporation maintains operations to protect against exchange rate variations. The negative exposure net of deferred tax amounts to ThUS \$46,689, and are scheduled to expire in August 2012 and April 2025.

The following table summarizes the exposure of the financial hedges contracted by the Corporation:

| Hedge Item   | Bank                                   | Type of derivative contract | Maturity | Currency | Amount of the hedge item<br>ThUS\$ | Swap value<br>ThUS\$ | Exposure<br>ThUS\$ |
|--------------|----------------------------------------|-----------------------------|----------|----------|------------------------------------|----------------------|--------------------|
| Bono UF 2012 | Bco. Chile (Chile) - JP Morgan (EE.UU) | Swap                        | 9/1/2012 | US\$     | 323,598                            | 164,482              | 28,057             |
| Bono UF 2025 | Credit Suisse (EE.UU)                  | Swap                        | 4/1/2025 | US\$     | 318,975                            | 208,519              | 129,010            |
| <b>Total</b> |                                        |                             |          |          | <b>642,573</b>                     | <b>373,001</b>       | <b>157,067</b>     |

The current methodology for valuing the currency swap, using the bootstrapping technique from the Mid and Mid Swap rates for Libor build curves (zero) in UF and USD respectively, from market information.

##### b. Cash flows and commercial policy adjustment hedging contracts

The Corporation performs transactions in the futures market, recording their results at maturity. These results are added to or deduced from sales revenue. This addition or deduction is made because sales revenue incorporates the positive or negative effect of market prices. At March 31, 2012, these operations generated a lower net income of ThUS\$ 202,549 (plus an effect of higher net income equivalent to ThUS\$ 6 in subsidiaries), which is detailed below:

##### b.1. Commercial operations of current copper contracts

The purpose of these contracts is to adjust the price of shipments to the price defined in the Corporation's related policy, defined in accordance with the London Metal Exchange (LME). As of March 31, 2012, the Corporation performed futures market transactions that represent 424,960 metric tons of fine copper. These hedging operations are part of the Corporation's commercial policy.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

The current contracts as of March 31, 2012 present a ThUS\$135,080 positive exposure, and their final result will only be known at their maturity, offsetting the hedging transactions with revenue from the sale of the hedged products.

The transactions completed between January 1 and March 31, 2012 generated a net positive effect on net income of ThUS \$4,346, which is deducted from the amounts paid for purchase contracts and added to the values received for sales contracts of the products affected by these pricing transactions.

#### **b.2. Commercial Transactions of Current Gold and Silver Contracts**

As of March 31, 2012 the Corporation maintains contracts for pricing the sale of gold for ThTOZ 6 and silver for ThTOZ 443.

The positive exposure at that date is ThUS\$34.

The transactions completed between January 1 and December 31, 2012 generated a negative effect on net income of ThUS\$245, which is subtracted from the amounts received for the sales contracts of the products affected by these pricing transactions. These hedging transactions mature in June 2012.

#### **b.3. Cash flow hedging operations backed by future production**

Also, to hedge future cash flows by ensuring the sale price of part of its production, copper futures transactions have been entered into for 112,500 tons of fine copper (TMF). The copper futures sales contracts mature in January 2013.

The current futures contracts as of March 31, 2011 present a ThUS\$ 636,181 negative exposure, and their final result will only be known at their maturity, offsetting their effects with the sale of the hedged products.

The futures transactions completed between January 1 and March 31, 2012, related to production sold, generated a lower income of ThUS\$ 206,650, which is the result of offsetting the hedging transaction and sales revenue from the sale of the products affected by this pricing. These results are presented by reducing net operating income.

The following table summarizes the exposure of the metal hedges contracted by the Corporation, indicated on previous letter b:



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| 3/31/2012                   | Maturity Date |          |      |      |      |           |           |
|-----------------------------|---------------|----------|------|------|------|-----------|-----------|
| ThUS\$                      | 2012          | 2013     | 2014 | 2015 | 2016 | Following | Total     |
| Flex Com Copper (Asset)     | 131,937       | 3,086    | 124  | -    | -    | -         | 135,147   |
| Flex Com Copper (Liability) | (67)          | (0)      | -    | -    | -    | -         | (67)      |
| Flex Com Gold/Silver        | 34            | -        | -    | -    | -    | -         | 34        |
| Copper Pricing              | (565,494)     | (70,687) | -    | -    | -    | -         | (636,181) |
| Metal Options               | -             | -        | -    | -    | -    | -         | -         |
| Total                       | (433,591)     | (67,601) | 124  | -    | -    | -         | (501,067) |

| 12/31/2011                  | Maturity Date |          |      |      |      |           |           |
|-----------------------------|---------------|----------|------|------|------|-----------|-----------|
| ThUS\$                      | 2012          | 2013     | 2014 | 2015 | 2016 | Following | Total     |
| Flex Com Copper (Asset)     | 176,973       | 1,554    | -    | -    | -    | -         | 178,527   |
| Flex Com Copper (Liability) | -             | (52)     | -    | -    | -    | -         | (52)      |
| Flex Com Gold/Silver        | 131           | -        | -    | -    | -    | -         | 131       |
| Copper Pricing              | (661,714)     | (60,287) | -    | -    | -    | -         | (722,000) |
| Metal Options               | -             | -        | -    | -    | -    | -         | -         |
| Total                       | (484,609)     | (58,786) | -    | -    | -    | -         | (543,395) |

| 3/31/2012                 | Maturity Date |       |      |      |      |           |       |
|---------------------------|---------------|-------|------|------|------|-----------|-------|
| Th TM/Onzas               | 2012          | 2013  | 2014 | 2015 | 2016 | Following | Total |
| Copper Futures [TM]       | 259.6         | 145.8 | 19.1 | -    | 0.5  | -         | 425.0 |
| Gold/Silver futures [MOZ] | 449.4         | -     | -    | -    | -    | -         | 449.4 |
| Copper pricing [TM]       | 100.0         | 12.5  | -    | -    | -    | -         | 112.5 |
| Copper options [TM]       | -             | -     | -    | -    | -    | -         | -     |

| 12/31/2011                | Maturity Date |      |      |      |      |           |       |
|---------------------------|---------------|------|------|------|------|-----------|-------|
| Th TM/Onzas               | 2012          | 2013 | 2014 | 2015 | 2016 | Following | Total |
| Copper Futures [TM]       | 352.0         | 47.9 | 0.5  | -    | 0.5  | -         | 400.9 |
| Gold/Silver futures [MOZ] | 424.2         | -    | -    | -    | -    | -         | 424.2 |
| Copper pricing [TM]       | 137.5         | 12.5 | -    | -    | -    | -         | 150.0 |
| Copper options [TM]       | -             | -    | -    | -    | -    | -         | -     |

## 29. Contingencies and restrictions

### a) Litigations and contingencies

There are various lawsuits and legal actions initiated by or against the Corporation, which derive from its operations and the industry in which it operates. In general, these are civil, tax, labor and mining litigations, all related to the Corporation's activities.

In the opinion of Management and its legal advisors, the lawsuits in which the Corporation is being sued, and could have negative results, do not represent significant loss contingencies or cash flows.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

Codelco defends its rights and employs all corresponding relevant legal instances, resources and procedures.

The most significant lawsuits that involve Codelco are related to the following matters:

- Tax Lawsuits: There are several tax lawsuits due to Internal Revenue Service tax assessments, for which the Corporation has filed the corresponding opposition.
- Labor Lawsuits: Labor lawsuits filed by workers of the Andina Division against the Corporation, relating to occupational illness (silicosis).
- Mining and Other Lawsuits derived from operations: The Corporation has been participating and will probably continue to participate as a claimant and defendant in certain lawsuits relating to its operations and mining activities, through which it seeks to exercise or oppose certain actions or exceptions with regard to certain mining concessions that have been established or are pending constitution, and its other activities. These processes do not currently have a fixed amount and not essentially affect the development of Codelco.

A case by case analysis of these lawsuits has shown that there are a total of 297 cases that have a clearly estimated value. It is estimated that 123 of these, which represent 78% of the total and which amount to ThUS\$89,108, could have a negative impact on the Corporation. There are also 46 lawsuits, representing 11% of the total and which amount to ThUS\$12,717, about which there is no certainty that the outcome would be unfavorable for Codelco. For the 114 remaining cases, amounting to ThUS\$12,027, the Corporation's legal advisors believe that an unfavorable outcome is unlikely. In addition, there are 96 lawsuits for undetermined amounts; it is believed that the result of 41 of these could be unfavorable to Codelco.

Additionally, the Corporation is in the process of responding to, by the corresponding deadlines, a resolution of the Internal Revenue Service that originates from a review of taxable income from prior years related to a product sales contract signed with a related company.

The necessary provisions have been made for the lawsuits with probable losses and their legal costs, these provisions are recorded as contingency provisions.

As is public knowledge, the Corporation has submitted Appeals for Protection before the respective Courts of Appeals, challenging the findings reported by the Labor Department, deriving from inspections performed under the framework of Law No.20,123, which regulates subcontracted work schemes and temporary service firms. Five of these appeals were accepted and one was rejected, the latter of which has been appealed by the Corporation. All appeals are currently pending in the Supreme Court.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### b) Other Commitments

- i. On February 29, 2010, the Board agreed to continue mining operations of the Salvador Division until 2016, and if market and operating conditions are maintained, until 2021, both extensions are subject to the condition that management improvements and cost reduction commitments made by the Division are met, these commitments were filed at the Board of Directors in August 2010, and the extension was approved.
- ii. On May 31, 2005, Codelco, through its subsidiary Codelco International Ltd. signed an agreement with Minmetals to form a company, Copper Partners Investment Company Ltd., in which both companies have an equal equity interest. A 15-year copper cathode sales contract to that associated company was agreed upon, as well as a purchase contract from Minmetals to the latter for the same period and for equal monthly shipments to complete a total of 836,250 metric tons. Each shipment shall be paid by the buyer at a price formed by a fixed re-adjustable component plus a variable component, which depends on current copper prices at the time of shipment.

During the first quarter of 2006 and on the basis of the negotiated financial terms, financing contracts were formalized with the China Development Bank allowing Copper Partners

Investment Company Ltd. to make the US\$550 million advance payment to Codelco in March 2006.

As of March 31, 2012, the contract is operational, and monthly shipments began in June 2006.

With regard to financial obligations incurred by the associate Copper Partners Investment Company Ltd. with the China Development Bank, Codelco Chile and Codelco International Ltd. must meet certain commitments, mainly relating to the delivery of financial information. In addition, Codelco Chile must maintain 51% ownership of Codelco International Limited.

According to the Sponsor Agreement, dated March 8, 2006, the Codelco International Ltd. subsidiary gave its participation in Copper Partners Investment Company Limited as a guarantee to the China Development Bank.

Subsequently, on March 14, 2012, Copper Partners Investment Company Ltd. paid off his debt to the abovementioned bank. As of March 31, 2012, Codelco does not hold any indirect guarantee regarding its participation in this associated company.

- iii. In October 2011, the Corporation, along with Mitsui & Co., Ltd.(Mitsui) engaged in a credit agreement for up to U.S. \$6,750 million, payable until August 1, 2012 with the purpose to finance Codelco's purchase option, that Codelco formally executed on January 2, 2012, over the 49% of the shares of Anglo American Sur SA ("AA Sur").

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

The credit mentioned before will be awarded, guaranteed by a subsidiary of Codelco, Acrux Mining Investments SpA (Acrux), and will contribute directly or indirectly to the shares acquired.

Under additional agreements with Mitsui, Codelco has a mechanism for managing certain risks associated with compliance of its obligations under the credit agreement, under which it has the right, but not the obligation, to transfer shares to Mitsui representing 50% of the total shares issued by Acrux, at the given subscription price, but subject to certain adjustments (with an approximate value assigned to 49% of the shares of Anglo American Sur S.A. of approximately U.S. \$ 9,760 million) against the capitalization of part of the credit granted to Acrux. In this situation, the balance of outstanding debt with Mitsui will be amended and shall be payable within 5 years, guaranteed by the shares of Acrux and without Codelco's guarantee.

At March 31, 2012, the said credit agreement remains in force. The abovementioned credit has not been used by Codelco due to the fact that Anglo American has not complied with its obligation to transfer 49% of the shares of "AA Sur" to Codelco. The compliance is being executed by the court.

- iv. The Corporation has signed gas supply contracts with its associate GNL Mejillones S.A., which began operations in October 2010, and through this contract, the associate agrees to sell part of a minimum equivalent to 27 Terra BTU's (British Thermal Units) per year during the 2010 - 2012 period. Additionally, the Corporation has signed an option contract together with other participating mining companies that includes the option to:

- Acquire the right to the long-term use of the terminal's capacity from the end of the contract, or
- To acquire the company's shares; the companies are committed to choosing one or other of these two alternatives.

On March 31, 2012, the Corporation has guarantees for 37% of the total exposure of the derivative transactions made by GNL Mejillones S.A., up to a maximum of ThUS\$266,400.

- v. Law 19,993 dated December 17, 2004, which authorized the purchase of the Fundación y Refinería Las Ventanas assets from ENAMI, established that the Corporation must ensure that the smelting and refining capacity required is maintained, without any restriction and limitation, for treating the products of the small and medium mining sector sent by ENAMI, under the form of toll production mode or another form agreed upon by the parties.
- vi. Obligations with the public for bond issues means that the Corporation must meet certain restrictions related to limits on pledges and leaseback transactions on its principal assets and on its ownership interest in subsidiaries.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

The Corporation, as of March, 31, 2012 and 2011, has met these conditions.

- vii. On January 20, 2010, the Corporation signed two energy supply contracts with Colbún S.A., which includes energy and power purchases for a total of 351 MW. The contract provides a discount for that energy consumption due to lower demand from Codelco's SIC divisions with respect to the amount of contracted power. The discount is equivalent to the value of the sale of that energy on the spot market.

In addition, through a supplementary agreement, Codelco has ensured the supply by Colbún of 159 MW, adapted to Codelco's long-term energy and power requirements from the SIC of approximately 510 MW.

This contract is based on energy production from Colbún's Santa María thermal power station, which is currently under construction. This plant is coal-fired, and therefore the electric energy tariff rate applied for the energy supplied to Codelco is linked to the price of coal.

Through these contracts, which operate through take or pay, the Corporation agrees to pay for the contracted energy and Colbún undertakes to return at market price the energy not consumed by Codelco.

These contracts have maturity date in 2027 and 2045.

- viii. On November 6, 2009, Codelco signed the following long-term electric energy supply contracts with ELECTROANDINA S.A.(associate until January 2011), with a maturity in 2017:
- This Contract replaces the one signed on November 22, 1995, for the supply of electricity to the Chuquicamata work center, for a 15-year term beginning in January 2010 for between 200 and 280 MW in power and all associated electric energy. The approximate cost of the contract is US\$1,380 million for the whole period.
  - Modification of the contract dated December 21, 1995 for the Radomiro Tomic work center, for a maximum power of 110 MW, in which new prices are established, for the power and energy contemplated in the contract as well as their new adjustment formulas from January 2010.
- ix. On December 31, 2009, Codelco has signed a purchase contract with Empresa Nacional de Electricidad S.A., for the purchase of power and electricity from the Central Interconnected System (SIC) to meet Codelco's requirements for its Salvador Division.

The contract is effective from April 1, 2010 until March 31, 2013. The maximum power agreed reaches HP 70 (MW) and HFP 71 (MW).

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

- x. During the fourth quarter of 2011, the Corporation signed four bilateral funding contracts with various financial institutions, amounting to US\$ 850 million, enabling Codelco to have the funds necessary to carry out its investment plan and refinance its liabilities when needed, and within the periods established in the contract.

The abovementioned amounts have not been used by the Corporation as of March 31, 2012.

- xi. On November 11, 2011, Law No. 20,551 was published in the Official Journal, which regulates the tasks and closure of mining facilities.

This law requires the Corporation, among other requirements, to provide financial guarantees to the State to ensure the implementation of closure plans. It also establishes the obligation to make contributions to a fund which aims to cover the costs of post-closure activities.

The enforcement of this law will start one year after its publication in the Official Journal, the date on which Codelco shall determine, provide and make available the guarantee of its

retirement obligation. These valuations must be approved, so that the guarantees begin to be granted starting from the first business day after the sixth month from the date of such approval.

### 30. Guarantees

The Corporation as a result of its activities has received and given guarantees.

In the following tables are the main guarantees given to financial institutions:

| Direct Guarantees provided to Financial Institutions |                                        |           |               |               |
|------------------------------------------------------|----------------------------------------|-----------|---------------|---------------|
| Creditor of the Guarantee                            | Type of Guarantee                      | 3/31/2012 |               | 12/31/2011    |
|                                                      |                                        | Maturity  | ThUS\$        | ThUS\$        |
| Koch Supply & Trading LP                             | Standby Letter - Banco Sumitomo        | Abr-12    | 10,000        | -             |
| Koch Supply & Trading LP                             | Standby Letter - Banco Sumitomo        | Abr-12    | 10,000        | -             |
| Koch Supply & Trading LP                             | Standby Letter - Banco Santander Chile | Ene-12    | -             | 25,000        |
| <b>Total</b>                                         |                                        |           | <b>20,000</b> | <b>25,000</b> |

| Indirect guarantees given to financial institutions |                                     |              |                   |                     |                      |
|-----------------------------------------------------|-------------------------------------|--------------|-------------------|---------------------|----------------------|
| Creditor of the Guarantee                           | Debtor guaranteed                   | Relationship | Type of guarantee | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
| Barclays Bank PLC                                   | Sociedad GNL Mejillones S.A.        | Associate    | Guarantee         | 74,000              | 74,000               |
| Morgan Stanley Capital Group INC.                   | Sociedad GNL Mejillones S.A.        | Associate    | Guarantee         | 148,000             | 148,000              |
| Koch Supply & Trading LP                            | Sociedad GNL Mejillones S.A.        | Associate    | Guarantee         | 44,000              | 44,400               |
| China Development Bank                              | Copper Partners Investment Co. Ltd. | Associate    | Rights            | -                   | 59,621               |
| <b>Total</b>                                        |                                     |              |                   | <b>266,000</b>      | <b>326,021</b>       |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

As for the documents received as collateral, they cover mainly obligations of suppliers and contractors related to the various development projects. Below are given the amounts received as collateral, grouped according to the Operating Divisions that have received these amounts:

| Guarantees received from third parties |                     |                      |
|----------------------------------------|---------------------|----------------------|
| Division                               | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
| Andina                                 | 26,708              | 41,491               |
| Chuquicamata                           | 61,165              | 69,210               |
| Casa Matriz                            | 301,153             | 207,967              |
| Radomiro Tomic                         | 15,188              | 23,003               |
| Salvador                               | 23,634              | 1,400                |
| Ministro Hales                         | 6,095               | 6,244                |
| El Teniente                            | 66,819              | 96,491               |
| Ventanas                               | 3,658               | 3,015                |
| <b>Total</b>                           | <b>504,420</b>      | <b>448,821</b>       |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

#### 31. Balances in foreign currency

##### a) Assets by Type of Currency

| Item                                           | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|------------------------------------------------|---------------------|----------------------|
| <b><u>Liquid Assets</u></b>                    | <b>1,365,711</b>    | <b>1,576,113</b>     |
| US Dollars                                     | 1,155,953           | 1,362,980            |
| Euros                                          | 638                 | 489                  |
| Other currencies                               | 3,287               | 2,555                |
| Non-indexed Ch\$                               | 42,262              | 18,023               |
| U.F.                                           | 163,571             | 192,066              |
| <b>Cash and Cash equivalents</b>               | <b>1,201,781</b>    | <b>1,382,876</b>     |
| US Dollars                                     | 1,155,683           | 1,362,612            |
| Euros                                          | 166                 | 179                  |
| Other currencies                               | 3,287               | 2,555                |
| Non-indexed Ch\$                               | 41,824              | 17,530               |
| U.F.                                           | 821                 | -                    |
| <b>Other current financial assets</b>          | <b>163,930</b>      | <b>193,237</b>       |
| US Dollars                                     | 270                 | 368                  |
| Euros                                          | 472                 | 310                  |
| Other currencies                               | -                   | -                    |
| Non-indexed Ch\$                               | 438                 | 493                  |
| U.F.                                           | 162,750             | 192,066              |
| <b><u>Short and long terms receivables</u></b> | <b>2,232,618</b>    | <b>2,233,207</b>     |
| US Dollars                                     | 1,680,221           | 1,669,982            |
| Euros                                          | 125,664             | 99,803               |
| Other currencies                               | 20,771              | 18,020               |
| Non-indexed Ch\$                               | 403,950             | 311,963              |
| U.F.                                           | 2,012               | 133,439              |
| <b>Trade and other receivables</b>             | <b>1,971,920</b>    | <b>1,968,269</b>     |
| US Dollars                                     | 1,562,011           | 1,537,815            |
| Euros                                          | 124,118             | 98,300               |
| Other currencies                               | 20,771              | 18,020               |
| Non-indexed Ch\$                               | 263,066             | 311,913              |
| U.F.                                           | 1,954               | 2,221                |



# CORPORACION NACIONAL DEL COBRE DE CHILE

## NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| Item                                    | 3/31/2012<br>ThUS\$ | 12/31/2011<br>ThUS\$ |
|-----------------------------------------|---------------------|----------------------|
| Rights receivables, non-current         | 142,465             | 132,721              |
| US Dollars                              | 1                   | -                    |
| Euros                                   | 1,546               | 1,503                |
| Other currencies                        | -                   | -                    |
| Non-indexed Ch\$                        | 140,860             | -                    |
| U.F.                                    | 58                  | 131,218              |
| Due from related companies, current     | 42,495              | 56,357               |
| US Dollars                              | 42,471              | 56,341               |
| Euros                                   | -                   | -                    |
| Other currencies                        | -                   | -                    |
| Non-indexed Ch\$                        | 24                  | 16                   |
| U.F.                                    | -                   | -                    |
| Due from related companies, non-current | 75,738              | 75,860               |
| US Dollars                              | 75,738              | 75,826               |
| Euros                                   | -                   | -                    |
| Other currencies                        | -                   | -                    |
| Non-indexed Ch\$                        | -                   | 34                   |
| U.F.                                    | -                   | -                    |
| <b><u>Rest of assets</u></b>            | 17,699,715          | 17,025,624           |
| US Dollars                              | 14,630,071          | 16,115,389           |
| Euros                                   | 372,022             | 138,349              |
| Other currencies                        | 29,446              | 5,415                |
| Non-indexed Ch\$                        | 1,947,826           | 672,820              |
| U.F.                                    | 720,350             | 93,651               |
| <b><u>Total Assets</u></b>              | 21,298,044          | 20,834,944           |
| US Dollars                              | 17,466,245          | 19,148,351           |
| Euros                                   | 498,324             | 238,641              |
| Other currencies                        | 53,504              | 25,990               |
| Non-indexed Ch\$                        | 2,394,038           | 1,002,806            |
| U.F.                                    | 885,933             | 419,156              |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

b) Liability by type of currency:

| Current liabilities by currency            | 3/31/2012               |                                     | 12/31/2012              |                                     |
|--------------------------------------------|-------------------------|-------------------------------------|-------------------------|-------------------------------------|
|                                            | Up to 90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ | Up to 90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ |
| <b>Current Liabilities</b>                 | 2,725,956               | 1,579,767                           | 2,777,535               | 1,638,547                           |
| US Dollars                                 | 1,965,500               | 1,221,174                           | 1,666,726               | 1,286,447                           |
| Euros                                      | 5,383                   | 31,779                              | 88,393                  | 38,714                              |
| Other currencies                           | 2,284                   | -                                   | 42,744                  | -                                   |
| Non-indexed Ch \$                          | 748,547                 | 2,111                               | 955,950                 | 5,182                               |
| U.F.                                       | 4,242                   | 324,703                             | 23,722                  | 308,204                             |
| <b>Other current financial liabilities</b> | 7,906                   | 1,579,767                           | 4,877                   | 1,638,547                           |
| US Dollars                                 | 7,728                   | 1,221,174                           | 4,716                   | 1,286,447                           |
| Euros                                      | -                       | 31,779                              | -                       | 38,714                              |
| Other currencies                           | -                       | -                                   | -                       | -                                   |
| Non-indexed Ch \$                          | -                       | 2,111                               | -                       | 5,182                               |
| U.F.                                       | 178                     | 324,703                             | 161                     | 308,204                             |
| <b>Bank loans</b>                          | -                       | 34,225                              | -                       | 41,276                              |
| US Dollars                                 | -                       | 346                                 | -                       | 2,106                               |
| Euros                                      | -                       | 31,779                              | -                       | 38,714                              |
| Other currencies                           | -                       | -                                   | -                       | -                                   |
| Non-indexed Ch \$                          | -                       | 2,100                               | -                       | 225                                 |
| U.F.                                       | -                       | -                                   | -                       | 231                                 |
| <b>Bonds</b>                               | -                       | 849,985                             | -                       | 802,954                             |
| US Dollars                                 | -                       | 525,839                             | -                       | 496,272                             |
| Euros                                      | -                       | -                                   | -                       | -                                   |
| Other currencies                           | -                       | -                                   | -                       | -                                   |
| Non-indexed Ch \$                          | -                       | -                                   | -                       | -                                   |
| U.F.                                       | -                       | 324,146                             | -                       | 306,682                             |
| <b>Finance lease</b>                       | 7,906                   | 15,288                              | 4,877                   | 18,077                              |
| US Dollars                                 | 7,728                   | 14,731                              | 4,716                   | 17,572                              |
| Euros                                      | -                       | -                                   | -                       | -                                   |
| Other currencies                           | -                       | -                                   | -                       | -                                   |
| Non-indexed Ch \$                          | -                       | -                                   | -                       | -                                   |
| U.F.                                       | 178                     | 557                                 | 161                     | 505                                 |

# **CORPORACION NACIONAL DEL COBRE DE CHILE**

## **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| Current liabilities by currency  | 3/31/2012                  |                                     | 12/31/2012                 |                                     |
|----------------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
|                                  | Up to<br>90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ | Up to<br>90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ |
| <b>Other</b>                     | -                          | 680,269                             | -                          | 776,240                             |
| US Dollars                       | -                          | 680,258                             | -                          | 770,497                             |
| Euros                            | -                          | -                                   | -                          | -                                   |
| Other currencies                 | -                          | -                                   | -                          | -                                   |
| Non-indexed Ch \$                | -                          | 11                                  | -                          | 4,957                               |
| U.F.                             | -                          | -                                   | -                          | 786                                 |
| <b>Other current liabilities</b> | 2,718,050                  | -                                   | 2,772,658                  | -                                   |
| US Dollars                       | 1,957,772                  | -                                   | 1,662,010                  | -                                   |
| Euros                            | 5,383                      | -                                   | 88,393                     | -                                   |
| Other currencies                 | 2,284                      | -                                   | 42,744                     | -                                   |
| Non-indexed Ch \$                | 748,547                    | -                                   | 955,950                    | -                                   |
| U.F.                             | 4,064                      | -                                   | 23,561                     | -                                   |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)

(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

| Non-current liabilities by currency            | 3/31/2012       |                 |                 |                       | 12/31/2012      |                 |                 |                       |
|------------------------------------------------|-----------------|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------|-----------------------|
|                                                | 1 to 3<br>years | 3 to 5<br>years | 5 a 10<br>years | More than<br>10 years | 1 to 3<br>years | 3 to 5<br>years | 5 a 10<br>years | More than<br>10 years |
|                                                | ThUS\$          | ThUS\$          | ThUS\$          | ThUS\$                | ThUS\$          | ThUS\$          | ThUS\$          | ThUS\$                |
| <b>Non-current liabilities</b>                 | 5,562,322       | 799,985         | 1,630,704       | 2,463,169             | 5,491,370       | 800,202         | 1,623,675       | 2,438,585             |
| US Dollars                                     | 4,522,117       | 798,282         | 1,610,038       | 2,118,650             | 4,306,911       | 798,637         | 1,604,281       | 2,118,216             |
| Euros                                          | 562             | -               | -               | -                     | -               | -               | -               | -                     |
| Other currencies                               | 482             | -               | -               | -                     | -               | -               | -               | -                     |
| Non-indexed Ch \$                              | 984,258         | 26              | -               | -                     | 801,765         | -               | -               | -                     |
| U.F.                                           | 54,903          | 1,677           | 20,666          | 344,519               | 382,694         | 1,565           | 19,394          | 320,369               |
| <b>Other non-current financial liabilities</b> | 1,526,363       | 799,972         | 1,630,704       | 2,463,169             | 1,532,692       | 800,202         | 1,623,675       | 2,438,585             |
| US Dollars                                     | 1,450,461       | 798,282         | 1,610,038       | 2,118,650             | 1,529,318       | 798,637         | 1,604,281       | 2,118,216             |
| Euros                                          | 281             | -               | -               | -                     | -               | -               | -               | -                     |
| Other currencies                               | 241             | -               | -               | -                     | -               | -               | -               | -                     |
| Non-indexed Ch \$                              | 58,379          | 13              | -               | -                     | -               | -               | -               | -                     |
| U.F.                                           | 17,001          | 1,677           | 20,666          | 344,519               | 3,374           | 1,565           | 19,394          | 320,369               |
| <b>Bank loans</b>                              | 411,763         | 784,723         | -               | -                     | 412,101         | 784,544         | -               | -                     |
| US Dollars                                     | 399,677         | 784,723         | -               | -                     | 410,258         | 784,544         | -               | -                     |
| Euros                                          | -               | -               | -               | -                     | -               | -               | -               | -                     |
| Other currencies                               | -               | -               | -               | -                     | -               | -               | -               | -                     |
| Non-indexed Ch \$                              | -               | -               | -               | -                     | -               | -               | -               | -                     |
| U.F.                                           | 12,086          | -               | -               | -                     | 1,843           | -               | -               | -                     |
| <b>Bonds</b>                                   | 996,646         | -               | 1,574,161       | 2,463,169             | 996,310         | -               | 1,573,504       | 2,438,585             |
| US Dollars                                     | 996,646         | -               | 1,574,161       | 2,118,650             | 996,310         | -               | 1,573,504       | 2,118,216             |
| Euros                                          | -               | -               | -               | -                     | -               | -               | -               | -                     |
| Other currencies                               | -               | -               | -               | -                     | -               | -               | -               | -                     |
| Non-indexed Ch \$                              | -               | -               | -               | -                     | -               | -               | -               | -                     |
| U.F.                                           | -               | -               | -               | 344,519               | -               | -               | -               | 320,369               |
| <b>Financial lease</b>                         | 31,916          | 15,236          | 56,543          | -                     | 40,266          | 15,658          | 50,171          | -                     |
| US Dollars                                     | 30,239          | 13,559          | 35,877          | -                     | 38,735          | 14,093          | 30,777          | -                     |
| Euros                                          | -               | -               | -               | -                     | -               | -               | -               | -                     |
| Other currencies                               | -               | -               | -               | -                     | -               | -               | -               | -                     |
| Non-indexed Ch \$                              | -               | -               | -               | -                     | -               | -               | -               | -                     |
| U.F.                                           | 1,677           | 1,677           | 20,666          | -                     | 1,531           | 1,565           | 19,394          | -                     |
| <b>Others</b>                                  | 86,038          | 13              | -               | -                     | 84,015          | -               | -               | -                     |
| US Dollars                                     | 23,899          | -               | -               | -                     | 84,015          | -               | -               | -                     |
| Euros                                          | 281             | -               | -               | -                     | -               | -               | -               | -                     |
| Other currencies                               | 241             | -               | -               | -                     | -               | -               | -               | -                     |
| Non-indexed Ch \$                              | 58,379          | 13              | -               | -                     | -               | -               | -               | -                     |
| U.F.                                           | 3,238           | -               | -               | -                     | -               | -               | -               | -                     |
| <b>Other non-current financial liabilities</b> | 4,035,959       | 13              | -               | -                     | 3,958,678       | -               | -               | -                     |
| US Dollars                                     | 3,071,656       | -               | -               | -                     | 2,777,593       | -               | -               | -                     |
| Euros                                          | 281             | -               | -               | -                     | -               | -               | -               | -                     |
| Other currencies                               | 241             | -               | -               | -                     | -               | -               | -               | -                     |
| Non-indexed Ch \$                              | 925,879         | 13              | -               | -                     | 801,765         | -               | -               | -                     |
| U.F.                                           | 37,902          | -               | -               | -                     | 379,320         | -               | -               | -                     |

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **32. Sanctions**

As of March 31, 2012 and December 31, 2011, neither Codelco Chile nor its Directors and Managers have been sanctioned by the Superintendency of Securities and Insurance or any other administrative authorities.

#### **33. Subsequent events**

On April 4, 2012, the Board informed organizational changes and appointments of senior executives, together with the forthcoming retirement of the current Vice President of North Operations, Mr. Luis Farias Lasarte who will continue to support the Corporation in specific areas.

The mentioned changes, are the following:

1. The Vice President of Technology and Innovation is created in replace of the current Vice President of Development. Is designated as Vice President of Technology and Innovation Mr. Isaac Aranguiz Miranda, as of May 1, 2012. Mr. Aranguiz served as Vice President of Development of the Corporation.
2. The Vice President of Business Development, being designated as Vice President, Mr. Gerhard van Borries Harms as of 1 May 2012. Mr. von Borries served as Vice President of Projects of Antofagasta Minerals.
3. Mr. Aranís Julio Vargas, current General Manager of the Chuquicamata Division, is designated as Vice President of Operations North, as of June 1, 2012.
4. Mr. Juan Carlos Avendaño Díaz, current General Manager of the Radomiro Tomic Division, will serve as General Manager of the Chuquicamata Division, as of June 1, 2012.
5. Mr. Francisco Carvajal Palacios, who joins the Corporation as of 1 May 2012 to assume as General Manager of the Radomiro Tomic Division, as of June 1, 2012. Mr. Carvajal was working as General Manager of Minera El Tesoro from Antofagasta Minerals.
6. Mr. Jaime Rojas Espinoza, currently General Manager of the Salvador Division, goes to work as Project Manager of the Salvador Portfolio, under the dependence of the Vice President of Projects, as of June 1, 2012.
7. Mr. Armando Olavarria Couchot, current General Manager of Andina Division, goes to work as General Manager of the Salvador Division, as of June 1, 2012.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

8. Mr. Ricardo Palma Contesse was designated as General Manager of the Andina Division, as of June 18, 2012. Mr. Palma served as Vice President & Country Manager for Yamana Gold Inc.
9. The Salvador Division becomes dependent of the Vice President of South Central Operations, as of June 1, 2012. Continued on the Vice President of South Central Operations, Mr. Jorge Gomez Diaz.

On April 11, 2012, Codelco's Board of Directors decided to set a meeting on Friday, April 27, 2012, at 11:00 hours to address matters related with the shareholders in the offices of the Corporation located in Huerfanos 1270, Floor 11.

This instance should pronounce on the following topics:

1. Review of the status of Codelco, Reports of External Auditors Report, Balance Sheet and other financial statements for the year ended December 31, 2011.
2. Proceed to the designation of External Auditors and Risk Rating Agencies to Codelco for the year ended December 31, 2012
3. Determination of a newspaper's head office to make legal publications.
4. Any other subject or topic of social interest that is not specific to a special meeting of shareholders.

The Corporation's financial statements to December 31, 2011, were published in the "Diario Financiero" on Thursday 5 April, 2012.

On April 27, 2012, at the Annual Meeting of Shareholders of Codelco, held with the assistance of the Ministers of Treasury and Mining, as delegates of his Excellency the President of the Republic of Chile, took the following resolutions:

1. Approval of the Report, Balance Sheet and other financial statements for the year ended December 31, 2011, and external auditors' report referring to that period.
2. Ernst & Young was designated as External Auditor for Codelco for the year ended December 31, 2012.
3. Feller Rate, Fitch Rating, Moody's and Standard & Poor's were designated as the rating agencies to Codelco for the year ended December 31, 2012.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

4. The newspaper “Diario Financiero” was designated to make the publications in print media for Codelco, as disposed in the law of corporations and instructions of the Superintendency of Securities and Insurance.
5. A report of the operations that the Corporation has made with entities or related persons, as provided in Article 44 of Law No. 18,046 on Corporations.
6. A report of the expenses incurred by the Board of Directors and the Directors Committee during the year 2011.

On May 10, Mr. Ignacio Torres Cabello was reported as a new member of the Board of Codelco Chile for a period of four years, as of April 12, 2012,

Under Supreme Decree No. 22 of Ministry of Mines, Mr. Raimundo Espinoza Concha has been appointed as a constituent of Codelco Chile’s Directory, for a period of four years, as of May 11, 2012,

The Administration of the Corporation is not aware of other matters, which would have a significant impact on the statements of a financial or other nature, that have occurred from 1 January 2012 to the date of issuance of these financial statements (23 May 2012), which may have a material impact on the financial position, results of operations or cash flows of these financial statements.

### **34. Environmental Expenditures**

Each of CODELCO’s operations is subject to national, regional and local regulations related to protection of the environment and natural resources, including standards relating to water, air, noise and disposal and transportation of dangerous residues, among others. Chile has adopted environmental regulations that have obligated the companies that operate in the country, including CODELCO, to carry out programs to reduce, control or eliminate relevant environmental impacts. CODELCO has executed and shall continue to execute a series of environmental projects to comply with these regulations.

Consequently with the Letter of Values approved in 2010, CODELCO is governed by a series of internal policies and regulations that frame its commitment to the environment, including the Sustainable Development Policy (2003) and the Corporate Security, Occupational Health and Environmental Management Policy (2007).

The environmental management systems of the divisions and the Parent Corporation, structure their efforts in order to comply with the commitments assumed by the Corporation’s environmental policies, incorporating planning, operation, verification and activities review elements. As of March 31, 2012, they have received ISO 14001 certification for the environmental management of the Chuquicamata,

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see Note I.2)

---

Radomiro Tomic, Andina, Salvador, El Teniente and Ventanas Division, Gaby Operation and the Parent Corporation.

To comply with the Circular N°1.901 from 2008 of the Chilean Superintendency of Securities and Insurance, below are the details of the Corporation's main expenditures related to the environment during the three-month periods ended as of March 31, 2012 and 2011 respectively, and the projected future expenses:



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 10)

| Corporation     | Project                                             | Disbursements made up to 3/31/2012 |                 |                   |                               |
|-----------------|-----------------------------------------------------|------------------------------------|-----------------|-------------------|-------------------------------|
|                 |                                                     | Project Status                     | Amount Th US \$ | Asset/Expenditure | Asset Item/Expenditure        |
|                 | <b>Chuquicamata</b>                                 |                                    | <b>37,376</b>   |                   |                               |
| Codelco Chile   | Talabre dam extension, 7th stage, Chuquicamata      | In process                         | 4,171           | Asset             | Property, plant and equipment |
| Codelco Chile   | Acid plants                                         | In process                         | 27,374          | Expenditure       | Administrative expenses       |
| Codelco Chile   | Solid waste                                         | In process                         | 2,624           | Expenditure       | Administrative expenses       |
| Codelco Chile   | Water Treatment Plant                               | In process                         | 3,207           | Expenditure       | Administrative expenses       |
|                 | <b>Salvador</b>                                     |                                    | <b>1,456</b>    |                   |                               |
| Codelco Chile   | Dust collection improvement                         | In process                         | 138             | Asset             | Property, plant and equipment |
| Codelco Chile   | Trench construction of hazardous waste              | In process                         | 510             | Asset             | Property, plant and equipment |
| Codelco Chile   | Construction V stage of tailing treatment           | In process                         | 544             | Asset             | Property, plant and equipment |
| Codelco Chile   | Acid plants                                         | In process                         |                 | Expenditure       | Administrative expenses       |
| Codelco Chile   | Solid waste                                         | In process                         | 230             | Expenditure       | Administrative expenses       |
| Codelco Chile   | Water Treatment Plant                               | In process                         | 34              | Expenditure       | Administrative expenses       |
|                 | <b>Andina</b>                                       |                                    | <b>4,138</b>    |                   |                               |
| Codelco Chile   | Construction of water trap for east ballast deposit | In process                         | 1,749           | Asset             | Property, plant and equipment |
| Codelco Chile   | Construction of drain tanks 2                       | Finished                           | -               | Asset             | Property, plant and equipment |
| Codelco Chile   | District warehouse installation                     | In process                         | 317             | Asset             | Property, plant and equipment |
| Codelco Chile   | Drains expansion Stage 5                            | In process                         | 974             | Asset             | Property, plant and equipment |
| Codelco Chile   | Drain water treatment                               | In process                         | 346             | Asset             | Property, plant and equipment |
| Codelco Chile   | Improvement of interception infiltrates Ovejería    | In process                         | 72              | Asset             | Property, plant and equipment |
| Codelco Chile   | Solid waste                                         | In process                         | 394             | Expenditure       | Administrative expenses       |
| Codelco Chile   | Water Treatment Plant                               | In process                         | 286             | Expenditure       | Administrative expenses       |
| <b>Subtotal</b> |                                                     |                                    | <b>42,970</b>   |                   |                               |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation of interim unaudited consolidated financial statements originally issued in Spanish – see page 3)

| Corporation        | Project                                          | Disbursements made up to 3/31/2012 |               |                   |                               | 3 |
|--------------------|--------------------------------------------------|------------------------------------|---------------|-------------------|-------------------------------|---|
|                    |                                                  | Project Status                     | Amount ThUS\$ | Asset/Expenditure | Asset Item/Expenditure        |   |
|                    | <b>El Teniente</b>                               |                                    | <b>4,875</b>  |                   |                               |   |
| Codelco Chile      | Construction of the 5th stage in Caren Reservoir | In process                         | 3,201         | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Online monitoring of tailing dam                 | In process                         | 548           | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Tailing expansion of waterfall 4                 | In process                         | 359           | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Tailing expansion of route 5                     | In process                         | 743           | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Acid plant                                       | In process                         | 20            | Expenditure       | Administrative expenses       |   |
| Codelco Chile      | Solid waste                                      | In process                         | 1             | Expenditure       | Administrative expenses       |   |
| Codelco Chile      | Water Treatment Plant                            | In process                         | 3             | Expenditure       | Administrative expenses       |   |
|                    | <b>Minera Gaby</b>                               |                                    | <b>18</b>     |                   |                               |   |
| Minera Gaby S.p A. | Installation of gravel dump - phase IV           | Finished                           | 18            | Asset             | Property, plant and equipment |   |
|                    | <b>Ventanas</b>                                  |                                    | <b>13,985</b> |                   |                               |   |
| Codelco Chile      | Mitigation of environmental concentrator stock   | In process                         | 1,963         | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Standardization of rainwater pools               | In process                         | 314           | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Cold load system Cps N° 2                        | In process                         | 691           | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Increase uptake Mp He                            | In process                         | 4,010         | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Acid plant                                       | In process                         | 5,579         | Expenditure       | Administrative expenses       |   |
| Codelco Chile      | Solid waste                                      | In process                         | 183           | Expenditure       | Administrative expenses       |   |
| Codelco Chile      | Water Treatment Plant                            | In process                         | 1,245         | Expenditure       | Administrative expenses       |   |
|                    | <b>Radomiro Tomic</b>                            |                                    | <b>440</b>    |                   |                               |   |
| Codelco Chile      | Solid waste                                      | In process                         | 380           | Asset             | Property, plant and equipment |   |
| Codelco Chile      | Water Treatment Plant                            | In process                         | 60            | Expenditure       | Administrative expenses       |   |
| <b>Subtotal</b>    |                                                  |                                    | <b>19,318</b> |                   |                               |   |
| <b>Total</b>       |                                                  |                                    | <b>62,288</b> |                   |                               |   |

[THIS PAGE INTENTIONALLY LEFT BLANK]



# **CODELCO – CHILE**

**Consolidated Financial Statements  
as of December 31, 2011**

**(Translation to English of consolidated financial statements originally issued in  
Spanish – see Note I.2)**

---

## TABLE OF CONTENTS

### CONSOLIDATED FINANCIAL STATEMENTS

(January - December 2011)

---

|                                                                        |              |
|------------------------------------------------------------------------|--------------|
| <b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION .....</b>             | <b>F-115</b> |
| <b>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME .....</b>           | <b>F-117</b> |
| <b>CONSOLIDATED STATEMENTS OF CASH FLOWS – DIRECT METHOD.....</b>      | <b>F-119</b> |
| <b>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY .....</b>              | <b>F-120</b> |
| <b>I. GENERAL INFORMATION.....</b>                                     | <b>F-122</b> |
| 1. Corporate Information.....                                          | F-122        |
| 2. Basis of Presentation of the Consolidated Financial Statements..... | F-123        |
| <b>II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....</b>            | <b>F-124</b> |
| 1. Significant Accounting Judgments, Estimates and Assumptions.....    | F-124        |
| 2. Significant accounting policies.....                                | F-127        |
| 3. New accounting pronouncements not yet effective.....                | F-143        |
| <b>III. EXPLANATORY NOTES .....</b>                                    | <b>F-146</b> |
| 1. Cash and cash equivalents .....                                     | F-146        |
| 2. Trade and other receivables.....                                    | F-146        |
| 3. Related Party Disclosures .....                                     | F-148        |
| 4. Inventories .....                                                   | F-156        |
| 5. Deferred taxes and income taxes.....                                | F-157        |
| 6. Current tax assets and liabilities.....                             | F-160        |
| 8. Property, Plant and Equipment.....                                  | F-161        |
| 9. Investments accounted for using the equity method.....              | F-164        |
| 10. Subsidiaries .....                                                 | F-171        |
| 11. Other non-current non-financial assets .....                       | F-172        |
| 12. Current and non-current financial assets .....                     | F-173        |
| 13. Interest-bearing borrowings.....                                   | F-174        |
| 14. Fair Value of financial assets and liabilities.....                | F-184        |
| 15. Fair value hierarchy .....                                         | F-184        |
| 16. Trade and other payables.....                                      | F-186        |
| 17. Other accrued expenses and provisions .....                        | F-186        |
| 18. Employee benefits .....                                            | F-188        |
| 19. Net equity.....                                                    | F-189        |
| 20. Operating income .....                                             | F-191        |
| 21. Expenses by nature .....                                           | F-191        |
| 22. Other revenues and expenses by function.....                       | F-192        |
| 23. Finance costs.....                                                 | F-193        |
| 24. Operating segments .....                                           | F-193        |
| 25. Foreign exchange differences, net .....                            | F-201        |
| 26. Statement of cash flows .....                                      | F-201        |
| 27. Financial risk management, objectives and policies .....           | F-203        |
| 28. Derivatives contracts .....                                        | F-207        |

|                                          |       |
|------------------------------------------|-------|
| 29. Contingencies and restrictions ..... | F-210 |
| 30. Guarantees .....                     | F-215 |
| 31. Balances in foreign currency .....   | F-216 |
| 32. Sanctions .....                      | F-221 |
| 33. Subsequent events .....              | F-221 |
| 34. Environmental Expenditures.....      | F-222 |

## Report of Independent Auditors

(A Free Translation from the of original report issued in Spanish)

To the Shareholders of  
Corporación Nacional del Cobre de Chile

We have audited the accompanying consolidated statements of financial position of Corporación Nacional del Cobre de Chile and its subsidiaries as of December 31, 2011 and the related statements of comprehensive income, changes in shareholders' equity and of cash flows for the year ended at that date. The preparation of these financial statements (including the related notes) is 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 conducted our audit 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 audit provides 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 as of December 31, 2011 and the results of its operations, and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to be 'CB' or similar, written over a light blue horizontal line.

Charles A. Bunce

ERNST & YOUNG LTDA.

Santiago, March 22, 2012

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2011 and 2010

(In thousands of US dollars - ThUS\$)

(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                              | Notes | 12/31/211         | 12/31/2010        |
|--------------------------------------------------------------|-------|-------------------|-------------------|
| <b>Assets</b>                                                |       |                   |                   |
| <b>Current Assets</b>                                        |       |                   |                   |
| Cash and cash equivalents                                    | 1     | 1,382,876         | 874,039           |
| Other current financial assets                               | 11    | 193,237           | 195,138           |
| Other currents non-financial assets                          |       | 36,413            | 33,607            |
| Trade and other current receivables                          | 2     | 1,968,269         | 2,714,006         |
| Accounts receivables due from related companies, current     | 3     | 56,357            | 157,954           |
| Inventory                                                    | 4     | 2,014,838         | 1,782,506         |
| Current tax assets                                           | 6.a   | 254,930           | 194,226           |
| Non- current assets classified as held for sale              | 7     | -                 | 672,409           |
| <b>Total current assets</b>                                  |       | <b>5,906,920</b>  | <b>6,623,885</b>  |
| <b>Non-current assets</b>                                    |       |                   |                   |
| Other non-current financial assets                           | 12    | 102,593           | 181,125           |
| Other non-current non-financial assets                       | 11    | 203,950           | 203,505           |
| Non-current receivables                                      | 2     | 132,721           | 198,785           |
| Accounts receivables due from related companies, non-current | 3     | 75,860            | 104,896           |
| Investment accounted for using the equity method             | 9     | 945,055           | 588,365           |
| Intangible assets other than goodwill                        |       | 12,292            | 21,556            |
| Property, Plant and Equipment, net                           | 8     | 13,437,764        | 12,351,430        |
| Investment property                                          |       | 17,789            | 5,494             |
| <b>Total non-current assets</b>                              |       | <b>14,928,024</b> | <b>13,655,156</b> |
| <b>TOTAL ASSETS</b>                                          |       | <b>20,834,944</b> | <b>20,279,041</b> |

The accompanying notes form an integral part of these consolidated financial statements.



**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2011 and 2010

(In thousands of US dollars - ThUS\$)

(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                     | Notes | 12/31/2011        | 12/31/2010        |
|-----------------------------------------------------|-------|-------------------|-------------------|
| <b>Liabilities and Equity</b>                       |       |                   |                   |
| <b>Liabilities</b>                                  |       |                   |                   |
| <b>Current liabilities</b>                          |       |                   |                   |
| Other current financial liabilities                 | 13    | 1,643,424         | 1,918,908         |
| Trade and other current payables                    | 16    | 1,782,459         | 1,803,276         |
| Accounts payables to related companies, current     | 3     | 126,850           | 171,565           |
| Other current provisions                            | 17    | 210,514           | 296,713           |
| Current tax liabilities                             | 6.b   | 137,267           | 307,952           |
| Current employee benefit accruals                   | 17    | 459,251           | 689,075           |
| Other current non- financial liabilities            |       | 56,317            | 56,338            |
| <b>Total current liabilities</b>                    |       | <b>4,416,082</b>  | <b>5,243,827</b>  |
| <b>Non-current liabilities</b>                      |       |                   |                   |
| Other non-current financial liabilities             | 13    | 6,395,154         | 7,189,482         |
| Other non-current payables                          |       | 319               | 2,658             |
| Accounts payables to related companies, non-current | 3     | 308,616           | 349,204           |
| Other non-current provisions and accrued expenses   | 17    | 1,013,441         | 1,057,472         |
| Deferred tax liabilities                            | 5     | 1,540,242         | 711,382           |
| Non-current employee benefit accruals               | 17    | 1,092,966         | 1,191,112         |
| Other non-current non-financial liabilities         |       | 3,094             | 2,692             |
| <b>Total non-current liabilities</b>                |       | <b>10,353,832</b> | <b>10,504,002</b> |
| <b>Total liabilities</b>                            |       | <b>14,769,914</b> | <b>15,747,829</b> |
| <b>Equity</b>                                       |       |                   |                   |
| Issued Capital                                      |       | 2,524,423         | 2,524,423         |
| Retained earnings                                   |       | 1,709,068         | 1,329,392         |
| Other Reserves                                      | 19    | 1,829,519         | 675,403           |
| <b>Equity attributable to owners of the parent</b>  |       | <b>6,063,010</b>  | <b>4,529,218</b>  |
| Non-controlling interests                           | 19    | 2,020             | 1,994             |
| <b>Total equity</b>                                 |       | <b>6,065,030</b>  | <b>4,531,212</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                 |       | <b>20,834,944</b> | <b>20,279,041</b> |

The accompanying notes form an integral part of these consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31, 2011 and 2010

(In thousands of US dollars - ThUS\$)

(Translation to English consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                                        | Notes | ACCUMULATED            |                        |
|----------------------------------------------------------------------------------------|-------|------------------------|------------------------|
|                                                                                        |       | 1/1/2011<br>12/31/2011 | 1/1/2010<br>12/30/2010 |
| <b>Profit (loss)</b>                                                                   |       |                        |                        |
| <b>Revenue</b>                                                                         | 20    | 17,515,296             | 16,065,946             |
| <b>Cost of sales</b>                                                                   |       | (10,283,026)           | (9,088,740)            |
| <b>Gross profit</b>                                                                    |       | <b>7,232,270</b>       | <b>6,977,206</b>       |
| Other Income, by function                                                              | 22.a  | 726,185                | 141,473                |
| Distribution costs                                                                     |       | (11,114)               | (14,944)               |
| Administrative expenses                                                                |       | (452,217)              | (390,234)              |
| Other expenses                                                                         | 22.b  | (2,307,326)            | (2,058,867)            |
| Other gains (losses)                                                                   |       | 38,709                 | 28,040                 |
| Finance income                                                                         |       | 44,701                 | 35,559                 |
| Finance costs                                                                          | 23    | (294,496)              | (331,132)              |
| Share of profit of associates and joint ventures accounted for using the equity method | 8     | 353,440                | 303,395                |
| Foreign exchange differences                                                           | 25    | 216,998                | (202,524)              |
| <b>Profit for the period before tax</b>                                                |       | <b>5,547,150</b>       | <b>4,487,922</b>       |
| Income tax expense                                                                     | 5     | (3,491,798)            | (2,611,601)            |
| <b>Profit for the period from continuing operations</b>                                |       | <b>2,055,352</b>       | <b>1,876,321</b>       |
| Profit for the period from discontinued operations                                     |       | -                      | -                      |
| <b>Profit for the period</b>                                                           |       | <b>2,055,352</b>       | <b>1,876,321</b>       |
| Profit (loss) attributable to:                                                         |       |                        |                        |
| Profit attributable to owners of the parent                                            |       | 2,056,414              | 1,877,659              |
| Loss attributable to non-controlling interests                                         | 19.b  | (1,062)                | (1,338)                |
| <b>Profit for the period</b>                                                           |       | <b>2,055,352</b>       | <b>1,876,321</b>       |

The accompanying notes form an integral part of these consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUATION)**

For the years ended December 31, 2011 and 2010

(In thousands of US dollars - ThUS\$)

(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                                                                   | Notes | 1/1/2011<br>12/31/2011 | 1/1/2010<br>12/31/2010 |
|-------------------------------------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| Profit for the period                                                                                             |       | 2,055,352              | 1,876,321              |
| <b>Components of other comprehensive income (loss), before tax:</b>                                               |       |                        |                        |
| <b>Exchange differences on conversion</b>                                                                         |       |                        |                        |
| Gain (loss) on exchange differences on conversion, before tax                                                     |       | (2,633)                | 490                    |
| Other comprehensive income, before tax, exchange differences on conversion                                        |       | (2,633)                | 490                    |
| <b>Cash flow hedges</b>                                                                                           |       |                        |                        |
| Gain (loss) on cash flow hedges, before tax                                                                       |       | 1,594,322              | 111,508                |
| Other comprehensive income before tax, exchange differences on conversion                                         |       | 1,594,322              | 111,508                |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method |       | 81,376                 | 136,560                |
| Other comprehensive income (loss) before tax                                                                      |       | 1,673,065              | 248,558                |
| <b>Income tax related to components of other comprehensive income:</b>                                            |       |                        |                        |
| Income tax related to cash flow hedges of other comprehensive income                                              | 5     | (897,100)              | (63,560)               |
| Aggregated income tax related to components of other comprehensive income                                         |       | (897,100)              | (63,560)               |
| <b>Other comprehensive income (loss)</b>                                                                          |       | <b>755,965</b>         | <b>184,998</b>         |
| <b>Total comprehensive income</b>                                                                                 |       | <b>2,831,317</b>       | <b>2,061,319</b>       |
| <b>Comprehensive income attributable to</b>                                                                       |       |                        |                        |
| Comprehensive income attributable to owners of the parent                                                         |       | 2,832,379              | 2,062,657              |
| Comprehensive income attributable to non-controlling interests                                                    | 19.b  | (1,062)                | (1,338)                |
| <b>Total comprehensive income</b>                                                                                 |       | <b>2,831,317</b>       | <b>2,061,319</b>       |

The accompanying notes form an integral part of these consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS – DIRECT METHOD**

For the years ended December 31, 2011 and 2010

(In thousands of US (In thousands of US dollars - ThUS\$))

(Translation to English of financial statements originally issued in Spanish – see Note I.2)

|                                                                                         | Notes | 1/1/2011<br>12/31/2011 | 1/1/2010<br>12/31/2010 |
|-----------------------------------------------------------------------------------------|-------|------------------------|------------------------|
| <b>Cash flow provided by (used in) operating activities:</b>                            |       |                        |                        |
| Cash receipts provided by operating activities                                          |       |                        |                        |
| Cash flows provided by sales of goods and rendering of services                         |       | 19,702,113             | 16,974,027             |
| Other cash flows provided by operating activities                                       | 26    | 1,843,793              | 1,767,151              |
| Types of cash payments                                                                  |       |                        |                        |
| Payments to suppliers for goods and services                                            |       | (8,741,815)            | (7,833,235)            |
| Payments to and on behalf of employees                                                  |       | (2,196,072)            | (1,784,501)            |
| Other cash flows used in operating activities                                           | 26    | (4,191,069)            | (3,525,415)            |
| Dividends received                                                                      |       | 85,750                 | 179,532                |
| Income taxes paid                                                                       |       | (3,852,469)            | (2,515,754)            |
| Net cash flows provided by operating activities                                         |       | 2,650,231              | 3,261,805              |
| <b>Cash flows provided by (used in) investing activities:</b>                           |       |                        |                        |
| Other cash flows provided by the sales of joint ventures                                | 26    | 1,088,351              | -                      |
| Other cash flows used to acquire interests in joint ventures                            |       | -                      | (44,878)               |
| Loans to related Companies                                                              |       | -                      | (71,839)               |
| Purchases of property plant and equipment                                               |       | (2,251,630)            | (2,309,484)            |
| Collections from related Companies                                                      |       | 40,700                 | -                      |
| Interest received                                                                       |       | 26,912                 | 12,716                 |
| Other inflows (outflows) of cash                                                        |       | 36,543                 | 109,927                |
| Net cash flows from (used in) investing activities                                      |       | (1,059,124)            | (2,303,558)            |
| <b>Cash flows used in financing activities:</b>                                         |       |                        |                        |
| Proceeds from current borrowings                                                        |       | 1,232,049              | 2,387,386              |
| Repayments of borrowings                                                                |       | (517,534)              | (800,860)              |
| Dividends paid                                                                          |       | (1,472,048)            | (2,206,124)            |
| Interest paid                                                                           |       | (324,737)              | (237,686)              |
| Net cash flows used in financing activities                                             |       | (1,082,270)            | (857,284)              |
| Net increase (decrease) in cash and cash equivalents before foreign exchange difference |       | 508,837                | 100,963                |
| Net increase (decrease) in cash and cash equivalents                                    |       | 508,837                | 100,963                |
| Cash and cash equivalents at beginning of period                                        | 1     | 874,039                | 773,076                |
| Cash and cash equivalents at end of period                                              | 1     | 1,382,876              | 874,039                |

The accompanying notes form an integral part of these consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the years ended December 31, 2011 and 2010

(In thousands of US dollars - ThUS\$)

(Translation to English of consolidated financial statements originally issued in Spanish – see N

| 12/31/2011                          |                                                         |                                    | Issued Capital | Foreign<br>currency<br>conversion<br>reserve | Cash flow<br>hedge<br>reserve | Other<br>miscellaneous<br>reserves | Total other<br>reserves<br><br>Note 19 | Accumulated<br>Retained<br>earnings |
|-------------------------------------|---------------------------------------------------------|------------------------------------|----------------|----------------------------------------------|-------------------------------|------------------------------------|----------------------------------------|-------------------------------------|
| Equity as of 1/1/2011               |                                                         |                                    | 2,524,423      | 2,916                                        | (969,571)                     | 1,642,058                          | 675,403                                | 1,329,392                           |
| Changes in equity                   |                                                         |                                    |                |                                              |                               |                                    |                                        |                                     |
|                                     |                                                         | Profit for the period              |                |                                              |                               |                                    |                                        | 2,056,414                           |
|                                     |                                                         | Other comprehensive income ( loss) |                | (2,633)                                      | 697,222                       | 81,376                             | 775,965                                |                                     |
|                                     |                                                         | Comprehensive income               |                |                                              |                               |                                    |                                        |                                     |
|                                     | Dividends Paid                                          |                                    |                |                                              |                               |                                    |                                        | (1,674,916)                         |
|                                     | Increase (decrease) through transfers and other changes |                                    | -              | -                                            | -                             | 378,151                            | 378,151                                | (1,822)                             |
| Total increase (decrease) in equity |                                                         |                                    | -              | (2,633)                                      | 697,222                       | 459,527                            | 1,154,116                              | 379,676                             |
| Equity as of 12/31/2011             |                                                         |                                    | 2,524,423      | 283                                          | (272,349)                     | 2,101,585                          | 1,829,519                              | 1,709,068                           |

The accompanying notes form an integral part of these consolidated financial statements.

**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the years ended December 31, 2011 and 2010

(In thousands of US dollars - ThUS\$)

(Translation of consolidated financial statements originally issued in Spanish – see Note 1.)

| 12/31/2010                          |                                                         |                                    | Issued Capital | Foreign<br>currency<br>conversion<br>reserve | Cash flow<br>hedge<br>reserve | Other<br>miscellaneous<br>reserves | Total other<br>reserves<br><br>Note 19 | Accumulated<br>Retained<br>earnings | attrib<br>own |
|-------------------------------------|---------------------------------------------------------|------------------------------------|----------------|----------------------------------------------|-------------------------------|------------------------------------|----------------------------------------|-------------------------------------|---------------|
| Equity as of 1/1/2010               |                                                         |                                    | 2,524,423      | 2,426                                        | (1,017,519)                   | 1,637,733                          | 622,640                                | 1,294,157                           |               |
| Changes in equity                   |                                                         |                                    |                |                                              |                               |                                    |                                        |                                     |               |
|                                     |                                                         | Profit for the period              |                |                                              |                               |                                    |                                        | 1,877,659                           |               |
|                                     |                                                         | Other comprehensive income ( loss) |                | 490                                          | 47,948                        | 136,560                            | 184,998                                |                                     |               |
|                                     |                                                         | Comprehensive income               |                |                                              |                               |                                    |                                        |                                     |               |
|                                     | Dividends Paid                                          |                                    |                |                                              |                               |                                    |                                        | (1,875,509)                         |               |
|                                     | Increase (decrease) through transfers and other changes |                                    | -              | -                                            | -                             | (132,235)                          | (132,235)                              | 33,085                              |               |
| Total increase (decrease) in equity |                                                         |                                    | -              | 490                                          | 47,948                        | 4,325                              | 52,763                                 | 35,235                              |               |
| Equity as of 12/31/2010             |                                                         |                                    | 2,524,423      | 2,916                                        | (969,571)                     | 1,642,058                          | 675,403                                | 1,329,392                           |               |

The accompanying notes form an integral part of these consolidated financial statements.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **I. GENERAL INFORMATION**

##### **1. Corporate Information**

Corporación Nacional del Cobre de Chile, Codelco (hereinafter referred to as “Codelco - Chile”, the “Corporation”), is the largest copper producer in the world. Its most important product is refined copper - primarily in the form of cathodes. The Corporation also produces copper concentrates, blister and anode copper and by-products such as molybdenum, anode slime and sulfuric acid. Codelco also manufactures wire rods in Germany, a semi-manufactured product that uses copper cathodes as raw material.

The Corporation trades its products based on a policy with the objective of selling refined copper to manufacturers or producers of semi-manufactured products.

These products contribute to diverse fields of community development, particularly those intended to improve areas such as public health, energy efficiency, and sustainable development, among others.

Codelco is registered under Securities Registry No. 785 of the Chilean Superintendency of Securities and Insurance (the “SVS”) and is subject to the supervision of said SVS. According to Article 10 of Law No. 20,392 (on the new Corporate Governance of Codelco), such supervision will be on the same terms as publicly traded companies, notwithstanding the provisions in Decree Law (D.L.) No. 1,349 of 1976, which created the Comisión Chilena del Cobre (“Chilean Copper Commission”).

Codelco’s head office is located in Santiago, Chile, at 1270 Huérfanos, telephone number (56 2) 6903000.

Codelco Chile was formed as stipulated by D.L. No. 1,350 of 1976, which is the statutory decree of the Corporation. In accordance with the statutory decree, Codelco is a state-owned mining, industrial and commercial company, which is a separate legal entity with its own equity. Codelco - Chile currently carries out its mining business through its divisions Chuquicamata, Radomiro Tomic, Salvador, Andina, El Teniente and Ventanas. Also, in May 2008, Codelco - Chile started exploiting the deposit known as Gabriela Mistral, whose mining operations are the responsibility of its subsidiary Minera Gaby SpA., a wholly owned subsidiary of the Corporation. In 2010 the Corporation was authorized by the Board of Directors of the Corporation to invest in the operation of the new division Ministro Hales Mine, whose estimated initial operating date is at the end of 2013. The Corporation also carries out similar activities in other mining deposits in association with third parties.

In accordance with letter e) of Article 10 of Law No. 20,392, Codelco is governed by its organic standards set forth in Decree Law No. 1,350 (D.L. No. 1,350) and that of its statutes, and in matters not covered by them and, insofar as they are compatible and do not go against the provisions of these rules, the rules that govern publicly traded companies and the common laws as applicable to them.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

In accordance with D.L. No. 1,350 Section IV related to the Company's Exchange and Budget Regulations, 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 tax system applicable to Codelco's income is in accordance with Article 26 of D. L. No. 1,350, which refers to Decree Laws No. 824 on Income Tax of 1974 and Decree Law No. 2,398 (Article 2) of 1978, which are applicable. The Corporation's income is also subject to a tax in accordance with Law No. 20,026 of 2005 (Specific Mining Tax).

The Corporation is subject to Law No. 13,196, which mandates the payment of a 10% tax over the foreign currency return on the export value of copper production, including its by-products.

The subsidiaries whose financial statements are included in these consolidated financial statements correspond to companies located in Chile and abroad, which are detailed in Note 2 d of Section II to the Summary Of Significant Accounting Policies.

The associates correspond to companies located in Chile and abroad, which are detailed in the Explanatory Notes Section III Note 9.

## **2. Basis of Presentation of the Consolidated Financial Statements**

The Corporation's consolidated financial statements are stated in thousands of US dollars and were prepared based on the accounting records maintained by Codelco - Chile and its subsidiaries, and have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter "IASB").

### **Responsibility for the Information and Use of Estimates**

The Board of Directors of the Corporation has been informed of the information included in these financial statements and expressly states its responsibility for the consistent and reliable nature of the information included in the consolidated financial statements as of December 31, 2011, for the effects of which IFRS principles issued by the International Accounting Standards Board have been applied in full. The December 31, 2011 consolidated financial statements were approved by the Board of Directors in the meeting on March 22, 2012. The December 31, 2010 consolidated financial statements were approved by the Corporation's Board of Directors on March 23, 2011.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### Accounting Principles

These consolidated financial statements reflect the financial position of Codelco Chile and its subsidiaries as of December 31, 2011 and 2010, the results of their operations ended December 31, 2011 and 2010, the changes in net equity and cash flows for periods ended December 31, 2011 and 2010, and their

related notes, all of which have been prepared and presented in accordance with IAS 1 “Presentation of Financial Statements” which considers the respective regulations of the Chilean Superintendency of Securities and Insurance (“SVS”), and do not conflict with IFRS.

For the convenience of the reader, these consolidated financial statements and their accompanying notes have been translated from Spanish to English.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the amounts of assets and liabilities recognized as of the date of financial statements and the amounts of income and expenses during the reporting period. It also requires the Corporation’s management to exercise its judgment in the process of applying the Corporation’s accounting principles. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as follows:

- a) **Useful Economic Lives and Residual Values of Property, Plant and Equipment** - The useful lives and residual values of property, plant and equipment assets that are used for calculating the depreciation are determined based on technical studies prepared by specialists (both internal and external). When there are indicators that could lead to changes in the estimated useful lives of such assets, these changes are determined by using technical estimates considering specific factors related to the use of the assets.

The studies consider specific factors related to the use of assets.

- b) **Ore Reserves** - The measurements of ore reserves are based on estimates of the ore resources that are economically exploitable, and reflect the technical considerations of the Corporation regarding the amount of resources that could be exploited and sold at prices exceeding the total cost associated with the extraction and processing.

The Corporation applies judgment in determining the ore reserves, and as such, possible changes in these estimates could significantly impact the estimates of net revenues over time. For such reason,

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

these changes would lead to modifications in the usage estimates of certain assets and of the amount of certain decommissioning and restoration costs.

The Corporation estimates its reserves and mineral resources based on the information composed by the Competent Persons of the Corporation, defined and regulated by the Chilean Law N° 20.235. The estimations are based on the JORC (Joint Ore Reserves Committee) methodology, taking into consideration the historical information of the cost of goods sold and copper prices at an international market.

The Corporation also periodically reviews such estimates, supported by world-class external experts, who certify the determined reserves.

- c) Impairment of Assets** - The Corporation reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss with regard to the carrying amount. In the evaluation of impairment, the assets are grouped into cash generating units ("CGU's") to which the assets belong. The recoverable amount of these assets or CGU's is calculated as the present value of the cash flows expected to be derived from such assets, considering a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of the assets is less than their carrying amount, an impairment loss exists.

The Corporation defines the CGUs and also estimates the timing and cash flows that such CGUs should generate. Subsequent changes in the grouping of the CGU, or changes in the assumptions supporting the estimates of cash flows or the discount rate, could impact the carrying amounts of the corresponding assets.

The Corporation has assessed and defined that the CGUs are constituted at the level of each of its current operating divisions.

The review for impairment includes subsidiaries and associates.

- d) Provisions for Decommissioning and Site Restoration Costs** - An obligation to incur in decommissioning and site restoration costs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan and are reassessed annually or as of the date such obligations become known.

The provision as of a reporting date represents management's best estimate of the present value of the future decommissioning and site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment. Any reduction in the decommissioning and site restoration liability and therefore any deduction from the decommissioning and site restoration asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

If the change in estimate results in an increase in the decommissioning and site restoration liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36. If the revised asset net of decommissioning and site restoration provisions exceeds the

recoverable value, that portion of the increase is charged directly to profit or loss statement. Any decommissioning and site restoration costs that arose as a result of the production phase of a mine, should be expensed as incurred.

The costs arising from the installation of a plant or other site preparation projects are discounted at net present value, provided for and capitalized at the beginning of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged to net income over the life of the mine, through depreciation of the asset. The depreciation is included in operating costs, while the unwinding of the discount in the provision is included in finance costs.

- e) Accrual for Employee Benefits** - Employee benefits costs for severance payments and health benefits for services rendered by the employees are determined based on actuarial calculations using the Projected Credit Unit Method, and are charged to profit or loss on an accrual basis.

The Corporation uses assumptions to determine the best estimate for these benefits. Such estimates, as well as assumptions, are determined together with an external actuary. These assumptions include demographic assumptions, mortality and morbidity, discount rate and expected salary increases and rotation levels, among other factors. Although the Corporation believes that the assumptions used are appropriate, a change in these assumptions could affect net income.

- f) Accruals for Open Invoices** - The Corporation uses information on future copper prices, through which it recognizes adjustments to its revenues and trade receivables, due to the conditions of its provisional invoicing. These adjustments are updated on a monthly basis and the accounting principle on “Revenue recognition” is referred to in letter q) of the section 2 “Significant accounting policies” of the current document.

- g) Fair Value of Derivatives and Other Instruments** - Management may use its judgment to choose an adequate and proper valuation method for the instruments that are not quoted in an active market. The Corporation applies customary valuation techniques used by other professionals in the industry. In the case of derivative financial instruments, assumptions are based on the observable market inputs, adjusted in conformity with the specific features of the instruments.

- h) Lawsuits and Contingencies** - The Corporation assesses the probability of lawsuits and contingency losses on an ongoing basis according to estimates performed by its legal advisors. For cases in which management and the Corporation's legal advisors believe that a favorable outcome

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

will be obtained or when the results are uncertain and the lawsuits are still pending resolution, no provisions are recognized.

Although these above-mentioned estimates have been made based on the best information available as of the date of issuance of these consolidated financial statements, it is possible that future developments may force the Corporation to modify these estimates in upcoming periods. Such

modifications, if occurred, would be adjusted prospectively, recognizing the effects of the change in estimate on the corresponding future consolidated financial statements, as required by IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

## 2. Significant accounting policies

- a) **Period covered** - The accompanying consolidated financial statements of Corporación Nacional del Cobre de Chile include:

- Statements of Financial Position as of December 31, 2011 and 2010.
- Statements of Comprehensive Income for the years ended as of December 31, 2011 and 2010.
- Statements of Changes in Equity for the years ended as of December 31, 2011 and 2010.
- Statements of Cash Flows for the years ended as of December 31, 2011 and 2010.

- b) **Basis of Preparation** - The consolidated financial statements of the Corporation for the period ended as of December 31, 2011 have been prepared in conformity with IFRS, as issued by the IASB.

The consolidated statement of financial position as of December 31, 2010 and the statements of comprehensive income, of net equity and of cash flows for the period ended December 31, 2010, included for comparative purposes, have been prepared in conformity with IFRS, on a consistent basis with the criteria used by the Corporation for the same period ended December 31, 2011.

These consolidated financial statements have been prepared based on the accounting records kept by the Corporation.

- c) **Functional Currency** - The functional currency of Codelco is the US dollar, which is the currency of the primary economic environment in which the Corporation operates and the currency in which it receives its revenues. Transactions other than those in the Corporation’s functional currency are translated at the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at closing exchange rates. Gains and losses from foreign currency conversion are included in profit or loss within the line item “Foreign Exchange differences”.

The presentation currency of the consolidated financial statements of Codelco is the US dollar.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

The functional currency of subsidiaries, associates and joint ventures, likewise corresponds to the currency of the primary economic environment in which those entities operate and the currency in which they receive their revenues, as established in IAS 21. However, regarding those subsidiaries and associates that correspond only to an extension of the operations of Codelco (entities that are not self-sufficient and whose main transactions are performed with Codelco), the functional currency is also the US dollar, as this is the functional currency of Codelco.

When the indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions under which each entity operates.

- d) Basis of Consolidation** - The consolidated financial statements incorporate the financial statements of the Corporation and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent corporation, using consistent accounting policies.

In the consolidation process, all significant balances and transactions between the consolidated companies have been fully eliminated, and the equity share of non-controlling interests has been recognized and presented as “Non-controlling Interests”. The consolidated financial statements take into account the elimination of intercompany balances, transactions and unrealized profit and loss between the consolidated companies, including foreign and local subsidiaries. The Corporations incorporated in the consolidation are detailed as follows:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| Taxpayer number | Company                                               | Country                  | Functional Currency | 12/31/2011              |          |         | 12/31/2010              |
|-----------------|-------------------------------------------------------|--------------------------|---------------------|-------------------------|----------|---------|-------------------------|
|                 |                                                       |                          |                     | Entity Share Porcentaje |          |         | Entity Share Porcentaje |
|                 |                                                       |                          |                     | Direct                  | Indirect | Total   | Total                   |
| Foreign         | Chile Copper Limited                                  | England                  | GBP                 | 100,000                 | -        | 100,000 | 100,000                 |
| Foreign         | Codelco Services Limited                              | England                  | GBP                 | -                       | 100,000  | 100,000 | 100,000                 |
| Foreign         | Codelco Group USA Inc.                                | United States of America | USD                 | 100,000                 | -        | 100,000 | 100,000                 |
| Foreign         | Codelco Metals Inc.                                   | United States of America | USD                 | -                       | 100,000  | 100,000 | 100,000                 |
| Foreign         | Codelco International Limited                         | Bermuda                  | USD                 | 100,000                 | -        | 100,000 | 100,000                 |
| Foreign         | Codelco Technologies Ltd.                             | Bermuda                  | USD                 | -                       | 100,000  | 100,000 | 100,000                 |
| Foreign         | Codelco do Brasil Mineracao                           | Brasil                   | BRL                 | -                       | 100,000  | 100,000 | 100,000                 |
| Foreign         | Codelco Kupferhandel GmbH                             | Germany                  | EURO                | 100,000                 | -        | 100,000 | 100,000                 |
| Foreign         | Metall Agentur GmbH                                   | Germany                  | EURO                | -                       | 100,000  | 100,000 | 100,000                 |
| Foreign         | Ecometales Limited                                    | Anglonormandars          | USD                 | -                       | 100,000  | 100,000 | 100,000                 |
| Foreign         | Codelco Shanghai Company Limited                      | China                    | USD                 | 100,000                 | -        | 100,000 | -                       |
| 59.087.530-9    | Ecometales Ltd. Agencia en Chile                      | Chile                    | USD                 | -                       | 100,000  | 100,000 | 100,000                 |
| 76.561.210-1    | Mining Information Communications and Monitoring S.A. | Chile                    | USD                 | 66,000                  | -        | 66,000  | 66,000                  |
| 78.712.170-5    | Compañía Minera Picacho (SCM)                         | Chile                    | USD                 | 99,990                  | 0,010    | 100,000 | 100,000                 |
| 78.860.780-6    | Compañía Contractual Minera los Andes                 | Chile                    | USD                 | 99,970                  | 0,030    | 100,000 | 100,000                 |
| 76.063.022-5    | Inca de Oro S.A.                                      | Chile                    | USD                 | -                       | -        | -       | 100,000                 |
| 79.566.720-2    | Isapre Chuquicamata Ltda.                             | Chile                    | CLP                 | 98,300                  | 1,700    | 100,000 | 100,000                 |
| 81.767.200-0    | Asociacion Garantizadora de Pensiones                 | Chile                    | CLP                 | 96,690                  | -        | 96,690  | 96,690                  |
| 88.497.100-4    | Clínica San Lorenzo Limitada                          | Chile                    | CLP                 | 99,900                  | -        | 99,900  | 99,900                  |
| 76.521.250-2    | San Lorenzo Institución de Salud Previsional Ltda,    | Chile                    | CLP                 | -                       | 99,900   | 99,900  | 99,900                  |
| 89.441.300-K    | Isapre Río Blanco Ltda.                               | Chile                    | CLP                 | 99,990                  | 0,010    | 100,000 | 100,000                 |
| 96.817.780-K    | Ejecutora Hospital del Cobre Calama S.A.              | Chile                    | USD                 | 99,990                  | 0,010    | 100,000 | 100,000                 |
| 96.819.040-7    | Complejo Portuario Mejillones S.A.                    | Chile                    | USD                 | 99,990                  | 0,010    | 100,000 | 100,000                 |
| 96.854.500-0    | Instituto de Innovación en Minería y Metalurgia S.A.  | Chile                    | USD                 | 99,930                  | -        | 99,930  | 99,930                  |
| 96.876.140-4    | Santiago de Río Grande S.A.                           | Chile                    | USD                 | 99,990                  | 0,010    | 100,000 | 100,000                 |
| 96.991.180-9    | Biosigma S.A.                                         | Chile                    | USD                 | 66,670                  | -        | 66,670  | 66,670                  |
| Foreign         | Biosigma Bermudas Ltda. (Bermuda)                     | Bermuda                  | USD                 | -                       | -        | -       | 66,670                  |
| 99.569.520-0    | Exploraciones Mineras Andinas S.A.                    | Chile                    | USD                 | 99,900                  | 0,100    | 100,000 | 100,000                 |
| 99.573.600-4    | Clinica Río Blanco S.A.                               | Chile                    | CLP                 | 99,000                  | 1,000    | 100,000 | 100,000                 |
| 76.064.682-2    | Centro de Especialidades Médicas Río Blanco Ltda.     | Chile                    | CLP                 | 99,000                  | 1,000    | 100,000 | 100,000                 |
| 76.152.263-5    | Minera Gaby SpA                                       | Chile                    | USD                 | 99,900                  | 0,100    | 100,000 | 100,000                 |
| 77.773.260-9    | Sociedad de Inversiones Copperfield Ltda.             | Chile                    | USD                 | 99,990                  | 0,010    | 100,000 | 100,000                 |
| 76.883.610-8    | Energía Minera S.A.                                   | Chile                    | USD                 | 99,000                  | 1,000    | 100,000 | 100,000                 |
| 76.043.396-9    | Innovaciones en Cobre S.A                             | Chile                    | USD                 | 0,100                   | 99,900   | 100,000 | 100,000                 |
| 76.082.774-6    | Inversiones Tocopilla 2B S.A.                         | Chile                    | USD                 | 99,990                  | 0,010    | 100,000 | 100,000                 |
| 76.148.338-2    | Sociedad de Procesamiento de Molibdeno Ltda.          | Chile                    | USD                 | 99,900                  | 0,100    | 100,000 | -                       |
| 76.082.158-6    | Inversiones Mejillones 2 S.A.                         | Chile                    | USD                 | 34,800                  | 65,200   | 100,000 | 100,000                 |
| 76.167.903-1    | Inversiones Mineras Acrux SpA.                        | Chile                    | USD                 | 100,000                 | -        | 100,000 | -                       |
| 76.173.357-5    | Inversiones GacruX SpA.                               | Chile                    | USD                 | -                       | 100,000  | 100,000 | -                       |
| 76.173.783-K    | Inversiones Mineras Becrux Limitada                   | Chile                    | USD                 | -                       | 100,000  | 100,000 | -                       |
| 76.124.156-7    | Centro de Especialidades Médicas San Lorenzo Ltda.    | Chile                    | USD                 | -                       | 100,000  | 100,000 | -                       |
| 70.905.700-6    | Fusat (Special Purpose Entity)                        | Chile                    | CLP                 | -                       | -        | -       | -                       |

For the purposes of these consolidated financial statements, subsidiaries, associates, acquisitions and disposals and joint ventures are defined as follows:

- **Subsidiaries** - A subsidiary is an entity over which the Corporation has power to govern its operating and financial policies in order to obtain benefits from its activities. The consolidated

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1.2)

---

financial statements include all assets, liabilities, revenues, expenses and cash flows of Codelco and its subsidiaries, after eliminating all inter-company balances and transactions. For partially

owned subsidiaries, the net assets and net earnings attributable to non-controlling shareholders are presented as “Non-controlling interests” in the consolidated statements of financial position and consolidated statement of income.

Likewise, on consolidation, the Corporation incorporates those entities in which it does not hold any direct or indirect ownership interest but instead represent special purpose entities, in accordance with the criteria established in SIC Interpretation 12, Consolidation - Special Purpose Entities.

- **Associates** - An associate is an entity over which Codelco is in the position to exercise significant influence, but not to control or jointly control, through the power to participate in the financial and operating policy decisions of that entity.

Codelco's share of the net assets of such entities is included in the consolidated financial statements by using the equity method. This requires recording the initial investment at cost and then, in subsequent periods, adjusting the carrying amount of the investment to reflect Codelco's share in the income of associates, less any impairment of goodwill and any other changes in the associate's net assets.

- **Acquisitions and Disposals** - The results of businesses acquired are incorporated in the consolidated financial statements from the acquisition date; the results of businesses sold during the period are incorporated into the consolidated financial statements up to the effective date of disposal. Gains or losses from the disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the ownership interest that has been sold.

Upon the occurrence of operations that generate a loss of control over a subsidiary, the valuation of investment which results from the loss of control in the subsidiary must be based on the fair values of such companies.

- **Joint Ventures** - The entities that qualify as joint ventures, in which joint control exists over the operating and financial decisions, are accounted for using the equity method.

**Special Purpose Entities (SPE's)** - The substance of the relationship between Codelco and Fundación de Salud El Teniente (FUSAT), indicated that this entity is controlled by Codelco. As such, the consolidated financial statements of FUSAT are incorporated into the consolidation of Codelco. The consolidated financial statements of the FUSAT include the following entities:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| Entity                                                  | Country | Equity share percentage |            |
|---------------------------------------------------------|---------|-------------------------|------------|
|                                                         |         | 12/31/2011              | 12/31/2010 |
|                                                         |         | %                       | %          |
| Centro de Servicios Médicos Porvenir Ltda.              | Chile   | 99.00                   | 99.00      |
| Inmobiliaria Centro de Especialidades Torre Médica S.A. | Chile   | 75.09                   | 75.09      |
| Inmobiliaria e Inversiones Rio Cipreces Ltda.           | Chile   | 99.99                   | 99.99      |
| Prestaciones de Servicios de la Salud Intersalud Ltda.  | Chile   | 99.00                   | 99.00      |
| Institución de Salud Previsional Fusat Ltda.            | Chile   | 99.69                   | 99.69      |

- e) **Foreign currency transactions** - Monetary assets and liabilities denominated in foreign currency have been translated into U.S. dollars at the closing exchange rate of the period.

At the reporting period-end, monetary assets and liabilities denominated in currency other than the functional currency, indexed in unidades de fomento (UF or inflation index-linked units of account) (12/31/2011: US\$ 43.03 ; 12/31/2010: US\$ 45.92 ), are translated into U.S. dollars at the closing exchange rates.

Income and expenses denominated in Chilean pesos have been translated into U.S. dollars at the exchange rate at the date when the transaction was recorded in the accounting records.

Exchange differences are recognized in net income in accordance with IFRS.

The financial statements of subsidiaries, associates and jointly controlled entities, whose functional currency is different from the presentation currency of Codelco, are translated using the following procedures:

- Assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income shall be translated at average exchange rates of the reporting period.

All resulting exchange differences are recognized as a separate component of net equity.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

The exchange rates used in each period are as follows:

| Ratio      | Period-end exchange rates |            |
|------------|---------------------------|------------|
|            | 12/31/2011                | 12/31/2010 |
| USD / CLP  | 0.00193                   | 0.00214    |
| USD / GBP  | 1.55087                   | 1.54059    |
| USD / BRL  | 0.53588                   | 0.60107    |
| USD / EURO | 1.29618                   | 1.32802    |

- f) Offsetting Balances and Transactions:** As a general standard, assets and liabilities, income and expenses, are not offset in the financial statements, except for those cases in which offsetting is required or is allowed by some standard and the presentation is a reflection of the transaction.

Income or expenses arising from transactions which, for contractual or legal reasons, consider the possibility of offsetting and which the Corporation intends to liquidate for their net value or realize the assets and pay the liabilities simultaneously, are stated net in the statement of income.

- g) Property, plant and equipment and depreciation -** Property, plant and equipment items are initially recognized at cost. After their initial recognition, they are recorded at cost, less any accumulated depreciation and any accumulated impairment losses.

The costs of property, plant and equipment items related to the extension, modernization or improvement representing an increase of the productivity, capacity or efficiency or an increase in the useful life of the assets is capitalized as cost of the corresponding assets.

Furthermore, investments in assets acquired under lease contracts with purchase options that meet the characteristics of a finance lease are included in this item. These items are not legally owned by the Corporation until the corresponding purchase option is exercised.

Items included in property, plant and equipment are depreciated in accordance with the straight-line method over their economic useful lives, which are summarized in the following table:

| Item                                        | Minimum useful life | Maximum useful life |
|---------------------------------------------|---------------------|---------------------|
| Buildings                                   | 15 years            | 50 years            |
| Plant and equipment                         | 2 years             | 35 years            |
| Fixtures and fittings                       | 2 years             | 15 years            |
| Motor vehicles                              | 5 years             | 25 years            |
| Mining Operations                           | 20 years            | 35 years            |
| Construction in progress (Mine development) | 1 year              | 5 years             |
| Land improvements                           | 10 years            | 35 years            |
| Other                                       | 5 years             | 24 years            |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

The assets maintained under finance leases are depreciated during the estimated period of the lease contract or in accordance with the useful life of the assets, whichever is lower.

Estimated useful lives, residual values and the depreciation method are reviewed at each year end, recording prospectively the effect of any change in estimates.

The profit or loss from disposal or withdrawal of an asset is calculated as the difference between the price obtained in the disposal and the value recorded in the ledgers recognizing the charge or credit to net income for the year.

Work in progress includes the amounts invested in the construction of property, plant and equipment assets and in mining development projects. Works in progress are transferred to assets in operation once the testing period has terminated and when they are available for use, and start to be depreciated as of that moment.

The ore deposits owned by the Corporation are recorded in the accounting records at US\$1 (one US dollar) and the economic value of these deposits differs from the accounting value.

Borrowing costs that are directly attributable to the acquisition or construction of assets that require a substantial period of time before they are ready for use or sale will be considered as part of the cost of property, plant and equipment items.

- h) Impairment of Property, Plant and Equipment and Intangible Assets** - Property, plant and equipment items and intangible assets of definite useful life are reviewed for impairment, in order to verify whether there is any indication that the carrying value cannot be recovered. If such an indicator exists, the recoverable amount of the assets is estimated to determine the extent of the impairment loss. Where the asset does not generate cash flows independently from other assets, Codelco estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

For such purposes, each division of the Corporation has been defined as a cash generating unit.

The measurement of impairment includes subsidiaries and associates.

The recoverable amount of an asset will be the higher of the fair value less costs to sell the asset and its value in use. When evaluating the value in use, the estimated future cash flows are discounted using an interest rate, before taxes, that shows the market evaluations corresponding to the time value of money and the specific risks of the asset, for which the future cash flow estimates have not been adjusted.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

If the recoverable value of an asset or cash generating unit is estimated to be less than its carrying amount, an impairment loss is immediately recognized, reducing the carrying amount up to its recoverable amount with a charge to net income. In case of a subsequent reversal of the impairment, the carrying amount increases to the reviewed estimate of the recoverable amount, but only to the point that it does not exceed the carrying amount that would have been determined if no impairment had been recognized previously. A reversal is recognized as a decrease in the charge for depreciation for the year.

For cash generating units (CGU's), future cash flow estimates are based on the estimates of future production levels, future prices of basic products and future production costs. IAS 36 "Impairment of Assets" includes a series of restrictions to the future cash flows that can be recognized regarding the restructurings and future improvements related to expenses. When calculating the value in use, it is also necessary to base the calculations on the current exchange rates at the moment of the measurement.

- i) **Exploration, Mine Development and Mining Operations Costs and Expenses** - The Corporation has defined an accounting criterion for each of these costs and expenses.

Development expenses for deposits under exploitation whose purpose is to maintain production levels are charged to net income when incurred.

Expenses for exploration and drillings of deposits include the expenses destined to locate mineralized areas to determine their potential for commercial exploitation. Accounting policy for these expenses has been defined by the Corporation in accordance with IFRS 6 paragraph 9, which will mainly be treated as expenses in profit or loss in the period when the expenses occurred.

Pre-operating and mine development expenses (PP&E) incurred during the execution of a project and until its start-up are capitalized and amortized in relation to the future production of the mine. These costs include extraction of waste material, constructing the mine's infrastructure and other works carried out prior to the production phase.

Finally, the costs for the delimitation of new areas or deposit areas in exploitation and of mining operations (PP&E) are recorded in property, plant and equipment and are charged to net income during the period in which the benefits are obtained.

- j) **Income Taxes and Deferred Taxes** - Codelco and its Chilean subsidiaries record Income Tax based on the net taxable income determined as per the standards established in the Income Tax Law and Article 2 of the D.L. 2,398, as well as the specific tax on mining referred to in Law 20,026 of 2005. Its foreign subsidiaries record income tax according to the taxation standards of each country.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

Deferred taxes due to temporary differences and other events that generate difference between the accounting and tax bases for assets and liabilities are recorded in accordance with the standards established in IAS 12 “Income taxes”.

In addition, a deferred tax is recognized for the net income of subsidiaries, associates and special purpose entities, originated by withholding taxes on remittances of dividends paid by such companies to the Corporation.

- k) **Inventory** - Inventory is stated at cost, which does not exceed its net realizable value. The net realizable value represents the estimated sales price less all finishing costs and marketing, sales and distribution expenses. Costs have been determined according to the following methods:
- **Finished Products and Products in Process:** This inventory is stated at average production cost, according to the absorption costing method, including labor and the depreciation of property, plant and equipment, the amortization of intangible assets and the indirect expenses of each period.
  - **Materials in Warehouse:** This inventory is stated at acquisition cost, and the Corporation determines an allowance for obsolescence considering the permanence in stock of slow moving materials in the warehouse.
  - **Materials in Transit:** This inventory is stated at cost incurred until the period-end date. Any difference, due to the estimate of a lower net realizable value of the inventory, in relation to its accounting value, is adjusted with a charge to net income.
- l) **Non-current assets classified as held for sale** - These assets are valued at the lower of its carrying amount and fair value less costs to sell.
- m) **Dividends** - The payment obligation of net revenues presented in the financial statements, as determined in Article 6 of D.L. 1,350, is recognized based on the accrued payment obligation.
- n) **Employee Benefits** - Codelco recognizes accruals for employee benefits when there is a current obligation as a result of the services provided.

The contract conditions stipulate, subject to compliance with certain conditions, the payment of an employee termination benefit when an employment contract ends. In general, this corresponds to one monthly salary per year of service and considering the components of the final remunerations which are contractually defined as the basis for the indemnity. This benefit has been defined as a long-term benefit.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1.2)

---

Codelco has also agreed to post-employment medical care for certain employees, which are paid based on a fixed percentage of the monthly tax base of the employees covered by this agreement. This benefit has been defined as a post-employment medical care benefit.

The employee termination benefit obligation and the post-employment medical plans are calculated in accordance with valuations performed by an independent actuary, using the projected unit credit method, which are updated on a regular basis. The obligation recognized in the statement of financial position represents the net present value of the employee termination benefit obligation and the post-employment medical benefit. Actuarial gains and losses are recognized immediately in the statement of comprehensive income within operating costs.

Management uses assumptions to determine the best estimate of these benefits. Such assumptions include an annual discount rate, mortality and morbidity tables, expected increases in compensation and future permanence, among other factors.

In accordance with its operating optimization programs to reduce costs and increase labor productivity by incorporating new current technologies and/or practical management best practices, the Corporation has established employee retirement programs by means of related addenda to employee contracts or collective union agreements with benefits that encourage employees to retire. Accordingly, the required accruals are established based on the accrued obligation at current value.

- o) Provisions for Dismantling and Restoration Costs** - An obligation, legal or constructive, arises when dismantling and restoration costs are incurred as a result of alterations caused by a mining activity (in development or in production).

The costs arising from the obligation to dismantle the installation of a plant or other project for the preparation of the site, discounted at their net present value, are accrued and capitalized at the beginning of each project, at which time the obligation to incur such costs is arises.

These dismantling costs are recorded in income via the depreciation of the asset that gave rise to this cost, and the provision is used when the dismantling takes place. Subsequent changes in the estimates of liabilities related to dismantling are added to or deducted from the costs of the related assets in the period in which the adjustment is made.

The restoration costs are accrued at their net present value against operating income, and the provision is used in the period during which the restoration works are performed. Changes in measurement of the liability related to the location of the mining activity (discount rate or time) are recorded in operating income.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

The effects of updating the liability, due to the discount rate and/or time, are recorded as finance costs.

**p) Leases – (Codelco as a lessee) –**

Leases are classified as finance leases when the terms of the lease transfer all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease costs under operating leases are charged to income over the lease term. Assets acquired under finance leases are recognized as assets at the start of the lease at either the fair value or the present value of minimum lease payments for the discounted lease at the contracted interest rate, whichever is lower. Interest is charged in the finance costs, at a fixed periodic rate, in the same depreciation period of the asset. The lease obligations net of financing costs are included in other current or non-current liabilities, as appropriate.

Under the provisions of International Financial Reporting Interpretations Committee ("IFRIC") 4 (IFRIC 4) titled "Determining whether an Arrangement Contains a Lease", an arrangement is, or contains a lease at the start date, if it uses a specific asset or assets or if it grants the right to use the asset, even if that right is not explicitly specified. For agreements occurring before January 1, 2005, the start date is considered as January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

All take-or-pay contracts and any other service and supply contracts that meet the conditions established in IFRIC 4, are reviewed for indicators of a lease on inception.

**q) Revenue Recognition -** Revenue is recorded when ownership rights and obligations have been substantially transferred to the purchaser, according to the shipment or dispatch of the products, in conformity with the agreed upon conditions and are subject to variations related to the content and/or sales price at their liquidation date. Notwithstanding the foregoing, there are certain contracts for which the rights and obligations are substantially transferred based on receipt of the product at the buyer's destination point, and for these contracts revenue is recorded at the moment of transfer.

Sales contracts include a provisional price at the shipment date, whose final price is generally based on the price recorded in the London Metals Exchange ("LME"). Recognition of sales revenue for copper and other commodities is based on the estimates of the future spread of metal price ("LME") and/or the spot price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of "Revenue". The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the "quotation period"). As such the final price will be fixed on the dates indicated in the contracts. Adjustments to the sales price occurs based on movements in quoted market prices ("LME") up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

six months. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for the applicable metals.

Sales in the national market are recorded in conformity with the regulations that govern domestic sales as indicated in Articles 7, 8 and 9 of Law No. 16,624, modified by Article 15 of Decree Law No. 1,349 of 1976, on the determination of the sales price for the internal market.

As indicated in the note related to hedging policies in the metal futures market, the Corporation enters into operations in the futures market. The net results of these contracts are added to or discounted from the revenues.

Additionally the Corporation recognizes revenue for providing services, mainly related to the processing of minerals bought from third parties. Revenue is recognized when the amounts can be measured reliably and when the services have been provided.

- r) Derivative Contracts** - Codelco uses derivative financial instruments to reduce the risk of fluctuations in the sales prices of its products and of exchange rates.

Derivatives are initially recognized at fair value at the date on which the derivative is entered into and subsequently updated at fair value at each reporting date.

The effective part of the changes in fair value of the derivatives that are allocated as “effective cash flow hedges”, is recognized directly in equity, net of taxes, in the item “Cash flow hedge reserves”, while the ineffective part is recorded in the statements of comprehensive income, more specifically on lines Finance expenses or Finance income depending on the effect generated by the ineffectiveness. The amount recognized in net equity is not transferred to other comprehensive income account until the results of the hedged operations are recorded in the statements of comprehensive income or until the maturity date of such operations.

A hedge is considered highly effective when the changes in fair value or in the cash flows of the underlying item attributable to the hedged risk, are offset with the changes in the fair value or in the cash flows of the hedge instruments, with effectiveness between a range of 80% - 125%. The corresponding unrealized profit or loss is recognized in comprehensive income for the period, only in those cases in which the contracts are liquidated or when they no longer comply with hedging characteristics.

The total fair value of the hedge derivatives is classified as a non-current asset or liability, if the remaining maturity of the hedged item is greater than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is lower than 12 months.

All derivatives designated as hedge instruments are classified as current or non-current assets or liabilities, respectively, depending on the maturity date of the derivative.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

The derivative contracts entered into by the Corporation are originated by the application of the risk hedge policies indicated below, and are recorded as indicated for each case:

- *Hedging Policies for Exchange Rates*

From time to time the Corporation enters into exchange rate and interest rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transactions are conducted in. Pursuant to the policies established by the Board of Directors these operations are only performed when there is a recognized assets or liabilities, forecast highly probable transactions or firm commitment, and not for investment or speculative reasons.

The results of foreign exchange insurance operations are recorded at the maturity or liquidation date of the respective contracts.

- *Hedging Policies in the Metal Futures Markets*

In accordance with the policies approved by the Board of Directors the Corporation entered into contracts in order to hedge future metal prices, backed by physical production, in order to minimize the inherent risks in price fluctuations.

The hedging policies seek to protect expected cash flows from the sale of products by fixing the prices for a portion of future production, while to the extent necessary adjusting physical contracts to its standard commercial policies. When the sales agreements are fulfilled and the future contracts are settled, income from sales and futures operations is offset.

At each reporting date, these futures contracts are recorded and adjusted to marked-to-market and recorded at the settlement date of the hedging operations, as a part of the sales revenue of the products.

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

- *Embedded Derivatives*

The Corporation has established a procedure that allows for evaluation of the existence of embedded derivatives in financial and non-financial contracts. Where there is an embedded derivative, and if the host contract is not recorded at fair value, the procedure determines whether the characteristics and risks of the embedded derivative are not closely related to the host contract, in which case it requires a separate recording.

The procedure consists of an initial characterization of each contract that allows for distinguishing of those in which an embedded derivative could exist. In that case, the contract is submitted to a



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

more in-depth analysis. If as a result of this evaluation it is determined that the contract has an embedded derivative that needs to be recorded separately, it is valued and the movements in its fair value are recorded in comprehensive income in the consolidated financial statements.

- s) **Financial Information by Segment** - For the purposes of IFRS 8, *Operating Segments* it has been defined that the segments are defined as the Operating Divisions, plus the Gabriela Mistral mine operation, which make up Codelco. Income and expenses of the parent corporation are distributed in the defined segments.
- t) **Presentation of Financial Statements** - For the purposes of IAS 1, *Presentation of the Financial Statements*, the Corporation establishes the presentation of its statement of financial position classified in "current and non-current" and of its statements of income in conformity with the "by function" method and its cash flows using the direct method.
- u) **Current and Non-Current Financial Assets** - The Corporation determines the classification of its investments upon initial recognition and reviews these at each closing date. This classification depends on the purpose for which such investments were acquired.

In this section the following categories are observed:

- *Financial Assets at Fair Value through Profit or Loss:*

This category includes those financial assets acquired for trading or sale in the short term. Their initial and subsequent recognition is performed at fair value, which is obtained as of the observable date in the market. The gains and losses from variations in fair value are included in net income for the period.

- *Loans Granted and Accounts Receivable:*

These correspond to financial assets with fixed or determined payments, and which are not quoted in an active market. They arise when the Corporation provides - for valuable consideration - cash, goods or services directly to a debtor without the intention of negotiating the accounts receivable that are generated by the transaction. Its initial recognition is at fair value, which includes the transaction costs that are directly attributed to the acquisition or issuance of it. Subsequent to the initial recognition, these are stated at amortized cost, recognizing in the statement of comprehensive income the accrued interest according to the effective interest rate and the possible losses in value of these assets.

A loss in value of the financial assets stated at amortized cost is caused when there is objective evidence that the Corporation will not be able to recover all amounts in accordance with the original terms.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

The amount of loss in value is the difference between the carrying amount and the net present value of the future cash flows discounted at the effective interest rate, and it is recognized as an expense in the statement of comprehensive income.

If in subsequent periods there is evidence of a recovery in the value of the financial asset stated at amortized cost, the recognized impairment loss will be reversed as long as it does not generate an amount in the financial asset ledgers that exceeds the one recorded prior to the loss. The accounting of the reversal is recognized in net income for the period.

Finally, an account receivable is not considered recoverable when situations arise such as the dissolution of the company, lack of identifiable assets for its execution or a legal pronouncement.

- v) **Financial Liabilities** - Financial liabilities are recognized initially at fair value, net of the incurred transaction costs. As the Corporation does not own any financial liabilities held for trading, subsequent to their initial recognition, the financial liabilities are valued at amortized cost, using the effective interest rate method, recognizing the interest expenses based on the effective profitability.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or when appropriate, a shorter period when the associated liability has a prepayment option that is considered to be exercised.

Trade accounts payable and other payables are financial liabilities that do not explicitly accrue interest and are recorded at their nominal value.

The financial liabilities are derecognized when the liabilities are paid or expire.

- w) **Allowance for Doubtful Accounts** - The Corporation maintains an allowance for doubtful accounts, based on the experience and analysis of Management regarding the portfolio of trade accounts receivable and the aging of the items.
- x) **Cash and cash equivalents and Statement of Cash Flows** - Cash equivalents are comprised of highly liquid investments, which have a limited risk in relation to possible changes in value, and maturities of which are less than 90 days from date of purchase.

For the purposes of preparing the statement of cash flows, the Corporation has defined the following:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

Cash and cash equivalents in the statement of financial position include cash at banks and on hand, and short term deposits and other highly liquid short term investments with an original maturity of three months or less. In the statement of financial position, bank overdrafts are classified as external resources in current liabilities.

- **Operating Activities:** These are the activities that constitute the main source of operating income for the Corporation, as well as other activities that cannot be classified as investment or financing activities.
  - **Investing Activities:** These correspond to acquisition or sale activities or disposal through other methods of long-term assets and other investments not included in cash and cash equivalents.
  - **Financing Activities:** These are activities that cause changes in the size and composition of net equity and of financial liabilities.
- y) **Law No. 13,196** - The amount for this concept is presented in the statement of income in the item Other expenses, by function.
- z) **Cost of Sales** - Cost of sales is determined according to the absorption cost method, including the direct and indirect costs, depreciation, amortization and any other expenses associated with the production process.
- aa) **Environment** - The Corporation adheres to the principles of sustainable development, which foster the economic development while safekeeping the environment and the health and safety of its collaborators. The Corporation recognizes that these principles are key for the wellbeing of its collaborators, care for the environment and success in its operations.
- bb) **Classification of Current and Non-Current Balances** - In the consolidated statement of financial position, the balances are classified according to their maturities, that is, as current those with a maturity equal or inferior to twelve months and as non-current those with a greater maturity. Where there are obligations whose maturity is less than twelve months, but whose long-term refinancing is insured upon a decision by the Corporation, through credit agreements available unconditionally with long-term maturity, these could be classified as non-current liabilities.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

### 3. New accounting pronouncements not yet effective

As of the issuance date of these consolidated financial statements, the following IFRS and IFRIC interpretations have been issued by the IASB. Their application was not mandatory <sup>1</sup>:

| New IFRS                                           | Date of mandatory application                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 9, Financial Instruments                      | Annual periods beginning on or after January 1, 2015 | Financial assets must be entirely classified on the basis of the business model of the entity for financial asset management and the characteristics of contractual cash flows of financial assets. Financial assets under this standard are measured either at amortized cost or fair value. Only financial assets classified as measured at amortized cost must be tested for impairment.                                                                                                                                                                                          |
| IFRS 10, Consolidated Financial Statements         | Annual periods beginning on or after January 1, 2013 | Establishes a single control model that applies to all entities (including special purpose entities). In addition, this standard requires that management exercise professional judgment in determining which entity is controlled and must be consolidated.                                                                                                                                                                                                                                                                                                                         |
| IFRS 11, Joint Agreements                          | Annual periods beginning on or after January 1, 2013 | Establishes only two forms of joint agreements (joint ventures and joint operations). This standard uses the principle of control of IFRS 10 to determine whether there is joint control. There is no option for accounting for joint control entities (JCEs) using proportional consolidation. In the case of joint ventures, these must be accounted for using the equity method. For joint operations, which include jointly controlled assets, initial joint operations and initial joint control entities (JCEs) their assets, liabilities, income and expenses are recognized. |
| IFRS 12, Disclosure of interests in other entities | Annual periods beginning on or after January 1, 2013 | Establishes the disclosures of IAS 27, IAS 31 and IAS 28. A number of new disclosures are included in this standard.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                     |                                                        |                                                                                                                                                                                                              |
|---------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 13, Fair Value                                                 | Annual periods beginning on or after January 1, 2013   | Establishes a single source to measure fair value. Does not change when an entity must use fair value. The standard changes the definition of fair value. Additionally incorporates certain new disclosures. |
| IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine | Annual periods beginning on or before January 1, 2013. | Establishes criteria for the recognition and measurement of assets for the concept of stripping costs in the production phase.                                                                               |

| IFRS Amendments                                        | Date of mandatory application                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IAS 1 Presentation of Financial Statements             | Annual periods beginning on or after July 1, 2012.   | Modifications are related to the presentation of Other Comprehensive Income items, giving the option to expose income for the period and comprehensive income. In addition, modifies paragraphs on disclosure of information on income for the period and other comprehensive income.                                                                                                                                                                                                                                                                                                                                                                |
| IAS 12, Deferred taxes – Recovery of Underlying Asset. | Annual periods beginning on or after January 1, 2013 | Deferred taxes on investments in properties measured at fair value shall be recognized on the basis of sales, unless the entity has a model that demonstrates that it will be consumed during the business. In addition deferred taxes on non-depreciable assets measured under the revaluation model, must be measured on the basis of sales.                                                                                                                                                                                                                                                                                                       |
| IAS 19, Employee Benefits                              | Annual periods beginning on or after January 1, 2013 | Changes the accounting for defined benefit plans the termination benefits. For modification of defined benefits and plan assets, the focus of the broker is eliminated, recognizing past service costs in an accelerated manner. Changes in the defined benefits obligation and plan assets are broken down into three components: service costs, net interest on defined benefit, net liabilities (assets). Net interest is calculated using the rate of return for high quality corporate bonds. This could be lower than the rate currently used to calculate expected return on plan assets, resulting in a decrease in net income for the year. |
| IAS 32 – Financial Instrument                          | Annual periods beginning on or after                 | Clarifies the requirements regarding the application of compensations between                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

|                                                                                                           |                                                        |                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Presentation                                                                                              | January 1st, 2014                                      | financial entries.                                                                                                                                                                    |
| IFRS 7- Financial Instruments: Disclosures                                                                | Annual periods beginning on or after January 1st, 2013 | Establishes new requirements related to disclosures in order to improve the comparison between financial statements prepared under IFRS and US GAAP.                                  |
| IAS 27 - Separate Financial Statements (former IAS 27 - Consolidated and Separate Financial Statements)   | Annual periods beginning on or after January 1st, 2013 | The name and content of this rule changed as a result of the publication of the new IFRS 10 - Consolidated Financial Statements. IAS 27 refers only to separate financial statements. |
| IAS 28 - Investments in associate entities and joint ventures (former IAS 28 - Investments in Associates) | Annual periods beginning on or after January 1st, 2013 | The name and content of this rule changed as a result of the publication of the new IFRS 11 - Joint Arrangements.                                                                     |

Management is currently in the process of evaluating the initial effects of the application of the standards, amendments and interpretations that will be adopted in the consolidated financial statements of the Corporation in the respective years indicated. Codelco is still evaluating the impact that the mentioned standards and modifications, considering that they would not have a significant impact.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

### III. EXPLANATORY NOTES

#### 1. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

|                                        | 12/31/2011       | 12/31/2010     |
|----------------------------------------|------------------|----------------|
| Items                                  | Thus\$           | Thus\$         |
| Cash On hand                           | 11,738           | 3,319          |
| Bank Balances                          | 24,650           | 17,012         |
| Time deposits                          | 1,331,904        | 741,579        |
| Mutual Funds – Money Market            | 7,240            | 61,855         |
| Resale Agreements                      | 7,344            | 50,274         |
| <b>Total Cash and Cash Equivalents</b> | <b>1,382,876</b> | <b>874,039</b> |

Valuation of time deposits is made on an accrual basis with an interest rate associated to each of these instruments.

The Corporation does not maintain any significant amounts of cash and cash equivalents that are not available for use.

#### 2. Trade and other receivables

##### a) Accrual for open sales invoices

As mentioned in Article of Summary of Significant Accounting Policies, the Corporation adjusts its revenues and balances from trade accounts receivable, based on future copper prices, by recording an accrual for open sales invoices.

When the future price of copper is lower than the provisional invoice amount, this provision is presented in the Statement of Financial Position as follows:

- Customers that have debt balances with the Corporation are presented in Current Assets, decreasing the amounts owed by these customers.
- Customers that do not have debt balances with the Corporation are presented in the item Trade and other payables under Current Liabilities.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

When the future copper price is higher than the provisional invoice price, the provision is presented in current assets, increasing the amounts owed by customers.

Based on the above-mentioned, trade receivables as of December 31 and 2011 include an accrual of ThUS\$ (47,781) and ThUS\$ 406,837, respectively, related with the open invoices of the unfinished sales.

#### b) Trade and other receivables

The following chart shows the amounts of Trade and other receivables, with their corresponding allowances:

| Items                               | Current              |                      | Non- Current         |                      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                     | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
| Trade Receivables (1)               | 1,551,444            | 2,349,685            | -                    | -                    |
| Allowance for doubtful accounts (3) | (2,027)              | (2,343)              | -                    | -                    |
| Subtotal trade receivables, Net     | 1,549,417            | 2,347,342            | -                    | -                    |
| Other Receivables (2)               | 423,193              | 370,878              | 132,721              | 198,785              |
| Allowance for doubtful accounts (3) | (4,341)              | (4,214)              | -                    | -                    |
| Subtotal other receivables, Net     | 418,852              | 366,664              | 132,721              | 198,785              |
| <b>Total</b>                        | <b>1,968,269</b>     | <b>2,714,006</b>     | <b>132,721</b>       | <b>198,785</b>       |

(1) Trade receivables are generated by sales of the Corporation, which are generally sold for cash or by bank guarantee.

(2) Other receivables include the amounts owed mainly by:

- Personnel of the Corporation, including short-term loans and mortgage loans, payment for which is withheld on a monthly basis from employee paychecks. The mortgage loans are backed by mortgage guarantees.
- Claims for insurance companies.
- Liquidations to the Central Bank as per Law 13,196.
- Advance payments to suppliers and contractors, to be discounted from the corresponding payment statements.
- Accounts receivable for toll services (Ventanas' smelter).



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

- (3) The Corporation maintains an allowance for doubtful accounts, based on the experience and analysis of Management regarding the portfolio of trade accounts receivable and the aging of the entries.

The movement of the allowance for doubtful accounts in the periods January to December 2011 and 2010 is detailed as follows:

| <b>Movements of allowance for doubtful accounts</b> | <b>12/31/2011<br/>ThUS\$</b> | <b>12/31/2010<br/>ThUS\$</b> |
|-----------------------------------------------------|------------------------------|------------------------------|
| Opening balance                                     | 6,557                        | 6,962                        |
| Increases                                           | 279                          | 184                          |
| Write-offs/applications                             | (468)                        | (589)                        |
| Movement, subtotal                                  | (189)                        | (405)                        |
| <b>Final Balance</b>                                | <b>6,368</b>                 | <b>6,557</b>                 |

Past due and not impaired balances are detailed as follows:

| <b>Past-due and not impaired</b>       | <b>12/31/2011<br/>ThUS\$</b> | <b>12/31/2010<br/>ThUS\$</b> |
|----------------------------------------|------------------------------|------------------------------|
| Less than 90 days                      | 33,908                       | 18,814                       |
| Between 90 days and 1 year             | 2,197                        | 378                          |
| More than 1 year                       | 7,181                        | 3,572                        |
| <b>Total past-due and not impaired</b> | <b>43,286</b>                | <b>22,764</b>                |

### 3. Related Party Disclosures

#### a) Transactions with the Board of Directors

According to the New Corporate Governance Law, Codelco's Board Members were affected in business with related parties, as described in Title XVI of the Corporations law (regarding transactions with related parties in publically traded companies and their affiliates).

As provided in the final paragraph of Article 147 b) of Title XVI, which contains exceptions regarding the approval process for related party transactions, the Corporation has set a general policy of regularity (reported to the SVS as a material fact), which establishes common transactions ordinarily made with its related parties within their line of business, contributes to their social interest and are necessary for Codelco's normal developmental activities.

In addition, consistent to the legal framework, the Corporation has revised its internal policy that governs transactions with persons and companies related to Codelco personnel. Therefore, the

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

Board of Directors approved an update of Corporate Regulation Nr. 18 (NCC Nr, 18) and its corresponding administrative procedures in 2011.

Codelco, without the authorization indicated in NCC No. 18 and the Board of Directors, when required by Law or the Corporate Statute, shall not enter into contracts involving one or more Directors, Executive President, members of the Committee of Managing Directors, Vice President, Legal Counsel, General Auditor, General Manager, Senior Management, staff who have involvement in the assessment, recommendation, sales and/or contract of goods and services, personnel management, or their spouses, children and other relatives up to the 2nd degree of relation, with an interest in itself, directly, or represented by third parties or on behalf of another person. The NCC No. 18 obligates the Corporation's contract to declare all such relationships, as well as remove related job responsibilities from any member within these positions who may be involved.

This prohibition also includes the companies in which such individuals are involved through ownership or management, whether directly or through representation of other natural persons or legal entities, or individuals who have ownership or management interests in those companies.

For the purpose of these regulations, positions of authority are defined as those in charge of second, third and fourth hierarchical level in the Corporation's organization.

The Board of Directors has been informed of the transactions covered by Codelco Corporate Standard No. 18, and upon which it must decide, according to this standard.

These transactions present the total transaction amount for the years specified in the table below:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| Entity                                                                      | Taxpayer number | Country | Nature of the relationship                | Description of the transaction | 1/1/2011                       | 1/1/2010                       |
|-----------------------------------------------------------------------------|-----------------|---------|-------------------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                                                                             |                 |         |                                           |                                | 12/31/2011<br>Amount<br>ThUS\$ | 12/31/2010<br>Amount<br>ThUS\$ |
| Domingo Iraola Vera                                                         | 2.320.212-3     | Chile   | Executive's relative                      | Services                       | 8,550                          | 59                             |
| Cosando Construcción y Montaje Ltda.                                        | 77.755.770-K    | Chile   | Executive's relative                      | Services                       | 7,938                          | -                              |
| Ernst & Young Ltda.                                                         | 77.802.430-6    | Chile   | Director's relative                       | Services                       | -                              | 2,489                          |
| Mining Information Communications and Monitoring S.A.                       | 76.561.210-1    | Chile   | Subsidiary                                | Services                       | 181                            | -                              |
| Servicios Aridam S.A.                                                       | 76.033.531-2    | Chile   | Executive's relative                      | Services                       | 12,022                         | 192                            |
| Ecometales Ltd.                                                             | 59.097.530-9    | Chile   | Subsidiary                                | Services                       | 23,255                         | 27,735                         |
| Fundación de Salud El Teniente                                              | 70.905.700-6    | Chile   | Special Purpose Entity                    | Services                       | 5,606                          | -                              |
| Biosigma S.A.                                                               | 96.991.180-9    | Chile   | Subsidiary                                | Services                       | -                              | 12,000                         |
| Minera Gaby S.A.                                                            | 76.685.790-6    | Chile   | Subsidiary                                | Services                       | -                              | 464,280                        |
| Club Deportes Cobresal                                                      | 70.658.400-5    | Chile   | One employee is the President of the Club | Services                       | -                              | 340                            |
| Exploraciones Mineras Andinas                                               | 99.569.520-0    | Chile   | Subsidiary                                | Services                       | 83,000                         | -                              |
| CAID S.A.                                                                   | 76.069.751-6    | Chile   | Executive's relative                      | Services                       | -                              | 771                            |
| ANMAR S.A.                                                                  | 76.134.358-0    | Chile   | Director's ownership                      | Services                       | 438                            | -                              |
| B. BOSCH. S.A.                                                              | 84.716.400-K    | Chile   | Executive's relative                      | Services                       | 20,244                         | 473                            |
| CIS Ingenieros Asociados Ltda.                                              | 88.422.600-7    | Chile   | Director's ownership                      | Services                       | 26                             | 170                            |
| E-CL S.A.                                                                   | 88.006.900-4    | Chile   | Associate                                 | Services                       | 900                            | -                              |
| Centro de Investigación Minera y Metalúrgica (Fundación sin fines de lucro) | 70.001.300-6    | Chile   | Founder                                   | Services                       | 116                            | -                              |
| Irene Astudillo Fernández                                                   | 8.972.584-4     | Chile   | Executive's relative                      | Services                       | -                              | 74                             |
| Sociedad Contractual Minera El Abra                                         | 96.701.340-4    | Chile   | Associate                                 | Services                       | -                              | 8                              |
| Sinclair Knight Merz (Chile) Ltda                                           | 76.334.600-5    | Chile   | Executive's relative                      | Services                       | 123,479                        | 9,223                          |
| Entel S.A.                                                                  | 92.580.000-7    | Chile   | Director's relative                       | Services                       | -                              | 70                             |
| Clinica San Lorenzo Ltda.                                                   | 88.497.100-4    | Chile   | Subsidiary                                | Services                       | -                              | 1,841                          |
| Clínica Río Blanco S.A                                                      | 99.573.600-4    | Chile   | Subsidiary                                | Services                       | 11,027                         | -                              |
| Instituto Innovación en Minería y Metalúrgica                               | 96.854.500-0    | Chile   | Subsidiary                                | Services                       | 10,300                         | -                              |
| San Lorenzo Institucion de Salud Previsional Ltda.                          | 76.521.250-2    | Chile   | Subsidiary                                | Services                       | -                              | 1,353                          |
| Centro de Especialidades Médicas Río Blanco Ltda.                           | 76.064.682-2    | Chile   | Subsidiary                                | Services                       | 10,990                         | -                              |
| Quadrem Chile Ltda                                                          | 77.546.140-3    | Chile   | Related Company                           | Services                       | -                              | 2,034                          |
| Mining Industry Robotic Solutions S.A.                                      | 76.869.100-2    | Chile   | Subsidiary                                | Services                       | -                              | 25                             |
| Salomón Sack S.A.                                                           | 90.970.000-0    | Chile   | Director's ownership                      | Services                       | 1,627                          | -                              |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

#### b) Key Personnel of the Corporation

In accordance with the policy established by the Board of Directors and its related regulation, those transactions of the Executive President, Vice presidents, Corporate Auditor, the members of the Divisional Management Committee and Managers should be approved by this Board.

During 2011 and 2010, the members of the Board of Directors have received the following amounts as per diem:

| Entity                      | Taxpayer number | Country | Nature of the relationship | Description of the transaction | 1/1/2011<br>12/31/2011 |                                          | A |
|-----------------------------|-----------------|---------|----------------------------|--------------------------------|------------------------|------------------------------------------|---|
|                             |                 |         |                            |                                | Amount                 | Effects on net income (charges)/ credits |   |
|                             |                 |         |                            |                                | ThUS\$                 | ThUS\$                                   |   |
| Santiago González Larraín   | 6.499.284-8     | Chile   | Chairman of the Board      | Director's fees                | -                      | -                                        |   |
| Andrés Velasco Brañes       | 6.973.692-0     | Chile   | Director                   | Director's fees                | -                      | -                                        |   |
| Nicolás Majluf Sapag        | 4.940.618-5     | Chile   | Director                   | Director's fees                | -                      | -                                        |   |
| Nicolás Majluf Sapag        | 4.940.618-5     | Chile   | Director                   | Fees                           | -                      | -                                        |   |
| Jorge Bande Bruck           | 5.899.738-2     | Chile   | Director                   | Director's fees                | 109                    | (109)                                    |   |
| Jorge Bande Bruck           | 5.899.738-2     | Chile   | Director                   | Fees                           | -                      | -                                        |   |
| Jorge Candia Díaz           | 8.544.205-8     | Chile   | Director                   | Remunerations                  | -                      | -                                        |   |
| Jorge Candia Díaz           | 8.544.205-8     | Chile   | Director                   | Director's fees                | -                      | -                                        |   |
| Raimundo Espinoza Concha    | 6.512.182-4     | Chile   | Director                   | Remunerations                  | 44                     | (44)                                     |   |
| Raimundo Espinoza Concha    | 6.512.182-4     | Chile   | Director                   | Director's fees                | 78                     | (78)                                     |   |
| Gustavo González Jure       | 6.866.126-9     | Chile   | Director                   | Director's fees                | -                      | -                                        |   |
| Alberto Arenas de Mesa      | 8.718.414-5     | Chile   | Director                   | Director's fees                | -                      | -                                        |   |
| Jaime Gutiérrez Castillo    | 6.772.588-3     | Chile   | Director                   | Remunerations                  | 30                     | (30)                                     |   |
| Jaime Gutiérrez Castillo    | 6.772.588-3     | Chile   | Director                   | Director's fees                | 26                     | (26)                                     |   |
| Andrés Sanfuentes Vergara   | 4.135.157-8     | Chile   | Director                   | Director's fees                | -                      | -                                        |   |
| Gerardo Jofré Miranda       | 5.672.444-3     | Chile   | Chairman of the Board      | Director's fees                | 156                    | (156)                                    |   |
| Marcos Büchi Buc (1)        | 7.383.017-6     | Chile   | Director                   | Director's fees                | -                      | -                                        |   |
| Fernando Porcile Valenzuela | 4.027.183-k     | Chile   | Director                   | Director's fees                | 78                     | (78)                                     |   |
| Andrés Tagle Domínguez      | 5.895.255-9     | Chile   | Director                   | Director's fees                | 78                     | (78)                                     |   |
| Marcos Lima Aravena         | 5.119.963-4     | Chile   | Director                   | Director's fees                | 130                    | (130)                                    |   |
| Juan Luis Ossa Bulnes       | 3.638.915-K     | Chile   | Director                   | Director's fees                | 71                     | (71)                                     |   |

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

- (1) During the period from January 1 to December 31, 2011, the Corporation has not issued any payment instrument for the concept of remunerations to Mr. Marcos Büchi Buc, derived from his participation as Corporation Director, since he has expressly and irrevocably waived those payments, as well as any present or future collection action for that concept. Regarding the amounts referring to Board fees for 2010, although the relevant payment documents had been issued, they were not cashed at the time by Mr. Büchi, due to his waiving collection of those amounts, and they were written-off.

Through Supreme Decree of the Treasury Department No. 257, dated March 3, 2010, the method for determining the remunerations of the Corporation's directors was established. This document details the calculation method of such remunerations, as per the following:

- The monthly salary of the directors of Codelco is fixed in the amount of Ch\$3,000,000 - (three million Chilean pesos) for participating in the Board meetings.
- A unique monthly salary of Ch\$6,000,000 - (six million Chilean pesos) is established for the Chairman of the Board.
- In the case of the directors that shall participate in a Board Committee, whether the one referred to in Article 50 bis) of law No. 18,046 or another established by the by-laws of the Corporation, they shall receive a single additional monthly amount of Ch\$1,000,000 - (one million Chilean pesos) for their participation, notwithstanding the number of committees in which they participate. In addition, the director holding the chair of the Directors' Committee shall receive a single monthly remuneration for his participation in committees of Ch\$2,000,000 - (two million Chilean pesos).
- The compensation established in this legal document will be valid for a period of two years, as of March 1, 2010, and was adjusted as of January 10, 2011, according to the same provisions that govern the general salary adjustment of the employees of the Public Sector of the Republic of Chile.

The short-term benefits related to the main executives of the Corporation, paid during the period January - December 2011, amount to ThUS\$ 7,180 (2010: ThUS\$ 6,658).

Non-current benefits during the January – December 2010 period amount to ThUS \$ 547.

The criteria used to determine the remunerations of the executives were established by the Board on January 29, 2003.

In the period being reported, no payments are recorded for the main executives of Codelco for the concept of staff severance indemnities, termination benefits, or post employment benefits.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

There are no share-based benefit plans.

#### **c) Operations with Codelco Investees**

In addition, the Corporation performs necessary commercial and financial transactions with entities in which it has capital ownership. The financial transactions correspond mainly to loans in checking accounts.

The commercial operations with related companies refer to the purchase and sale of products or services, at market conditions and prices and which do not consider interest or indexation. These companies are the following: Sociedad GNL Mejillones S.A., , Copper Partners Investment Company Ltd., Copper for Energy , Sociedad Contractual Minera Purén, Kairos Mining S.A., MI Robotic Solutions S.A., Sociedad Contractual Minera El Abra, Electroandina S.A., Agua de La Falda S.A., Ecosea Farming S.A., Comotech S.A., E-CL S.A., Deutsche Geissdraht GmbH and Inca de Oro S.A.

The Corporation does not establish an allowance for doubtful accounts for the main items receivable from their related companies, as these have been registered by including the relevant safeguards in the respective debt contracts.

Accounts receivable from and payable to related companies as of December 31, 2011 and December 31, 2010, are detailed as follows:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### Accounts receivable from related parties

| Taxpayer Number | Company                                | Country | Nature of the relationship | Indexation currency | Current              |                      | Non- Current         |                      |
|-----------------|----------------------------------------|---------|----------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
|                 |                                        |         |                            |                     | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
| 76.775.710-7    | GNL Mejillones S.A.                    | Chile   | Associate                  | USD                 | 46,065               | 52,655               | 75,602               | 104,672              |
| 96.701.340-4    | Sociedad Contractual Minera El Abra    | Chile   | Associate                  | USD                 | 50                   | 1,217                | -                    | -                    |
| Foreign         | Copper Partners Invest. Company Ltd.   | Bermuda | Joint Venture              | USD                 | 10,226               | 100,121              | -                    | -                    |
| 88.006.900-4    | E-CL S.A.                              | Chile   | Associate                  | USD                 | -                    | 2,453                | -                    | -                    |
| 96.801.450-1    | Agua de la Falda S.A.                  | Chile   | Associate                  | USD                 | -                    | -                    | 224                  | 224                  |
| 76.024.442-2    | Ecosea Farming S.A.                    | Chile   | Associate                  | CLP                 | -                    | 64                   | 34                   | -                    |
| 76.009.778-0    | Comotech S.A.                          | Chile   | Associate                  | CLP                 | -                    | 165                  | -                    | -                    |
| 76.781.030-K    | Kairos Mining S.A.                     | Chile   | Associate                  | CLP                 | 16                   | -                    | -                    | -                    |
| 76.869.100-2    | Mining Industry Robotic Solutions S.A. | Chile   | Associate                  | CLP                 | -                    | 1,279                | -                    | -                    |
| <b>Total</b>    |                                        |         |                            |                     | <b>56,357</b>        | <b>157,954</b>       | <b>75,860</b>        | <b>104,896</b>       |

#### Accounts payable to related parties

| Taxpayer Number | Company                                 | Country | Nature of the relationship | Indexation currency | Current              |                      | Non- Current         |                      |
|-----------------|-----------------------------------------|---------|----------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
|                 |                                         |         |                            |                     | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
| Foreign         | Copper Partners Investment Company Ltd. | Bermuda | Joint Venture              | USD                 | 36,666               | 36,666               | 308,616              | 345,324              |
| Foreign         | Deutsche Geissdraht GmbH                | Germany | Associate                  | EURO                | 4,065                | 2,081                | -                    | -                    |
| 76.781.030-K    | Kairos Mining S.A.                      | Chile   | Associate                  | CLP                 | 20,138               | 13,845               | -                    | -                    |
| 76.869.100-2    | Mining Industry Robotic Solutions S.A.  | Chile   | Associate                  | CLP                 | 251                  | -                    | -                    | -                    |
| 88.006.900-4    | E-CL S.A.                               | Chile   | Associate                  | USD                 | -                    | 53,091               | -                    | 3,880                |
| 77.546.140-3    | Quadrem Chile Ltda.                     | Chile   | Other investment           | CLP                 | -                    | 66                   | -                    | -                    |
| 96.701.340-4    | Sociedad Contractual Minera El Abra     | Chile   | Associate                  | USD                 | 49,720               | 50,670               | -                    | -                    |
| 76.775.710-7    | GNL Mejillones S.A.                     | Chile   | Associate                  | USD                 | 16,010               | 15,146               | -                    | -                    |
| <b>Total</b>    |                                         |         |                            |                     | <b>126,850</b>       | <b>171,565</b>       | <b>308,616</b>       | <b>349,204</b>       |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

The transactions performed between the Corporation and its related companies during the period ended December 31, 2011, are presented in the next chart together with their corresponding effects on profit or loss:

| Taxpayer Number | Company                               | Description of the transaction     | Country | Indexation Currency | 1/1/2011<br>12/31/2011 |                                          | Amount |
|-----------------|---------------------------------------|------------------------------------|---------|---------------------|------------------------|------------------------------------------|--------|
|                 |                                       |                                    |         |                     | Amount                 | Effects on net income (charges)/ credits |        |
|                 |                                       |                                    |         |                     | ThUS\$                 | ThUS\$                                   | ThUS\$ |
| Foreign         | Copper Partners Investment Co. Ltd.   | Sale of products                   | Bermuda | USD                 | 125,012                | 125,012                                  |        |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.          | Purchase of energy                 | Chile   | USD                 | 178,026                | (178,026)                                |        |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.          | Loan                               | Chile   | USD                 | -                      | -                                        |        |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.          | Loan                               | Chile   | USD                 | 35,655                 | -                                        |        |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.          | Loan interest                      | Chile   | USD                 | 5,047                  | 5,047                                    |        |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.          | Expenses refund                    | Chile   | USD                 | 5                      | -                                        |        |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.          | Guarantee fee                      | Chile   | USD                 | 666                    | 666                                      |        |
| 76.781.030-k    | Kairos Mining S.A.                    | Purchase of services               | Chile   | CLP                 | 20,406                 | (20,406)                                 |        |
| 76.869.100-2    | Mining Industry Robotic Solutions S.A | Purchase of services               | Chile   | CLP                 | 1,292                  | (1,292)                                  |        |
| 96.701.340-4    | SCM El Abra                           | Dividends received                 | Chile   | USD                 | 85,750                 | -                                        |        |
| 96.701.340-4    | SCM El Abra                           | Purchase of products               | Chile   | USD                 | 432,345                | (432,345)                                |        |
| 96.701.340-4    | SCM El Abra                           | Sale of products                   | Chile   | USD                 | 58,143                 | 58,143                                   |        |
| 96.701.340-4    | SCM El Abra                           | Purchase of services               | Chile   | USD                 | 5,815                  | (5,815)                                  |        |
| 96.701.340-4    | SCM El Abra                           | Commissions received               | Chile   | USD                 | 123                    | 123                                      |        |
| 88.006.900-4    | E-CL S.A.                             | Purchase of energy                 | Chile   | USD                 | -                      | -                                        |        |
| 88.006.900-4    | E-CL S.A.                             | Maintenance and operation services | Chile   | USD                 | -                      | -                                        |        |
| 88.006.900-4    | E-CL S.A.                             | Recovery of loan                   | Chile   | USD                 | -                      | -                                        |        |
| 88.006.900-4    | E-CL S.A.                             | Dividends received                 | Chile   | USD                 | -                      | -                                        |        |
| 76.133.034-9    | Copper for Energy S.A.                | Contributions                      | Chile   | CLP                 | 203                    | -                                        |        |



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### d) Additional Information

The current and non-current account payable to the company Copper Partners Investment Company Ltd., corresponds to the balance of an advance payment received (US\$550 million) due to the commercial agreement with the company Minmetals.

The current and non-current receivables from Sociedad GNL Mejillones S.A. refers to a loan agreement signed with the company, with a maturity of December 31, 2016 and accrues an interest of Libor 180 days+3% until June 30, 2010. From July 1, 2010 to December 31, 2012 the interest rate is Libor 90 days+3% and afterwards the rate is being fixed at Libor 90 days +4.5% until the full payment by Sociedad GNL Mejillones S.A.

#### 4. Inventories

Inventory as of December 31, 2011 and 2010 are detailed as follows:

| Items                                                | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|------------------------------------------------------|----------------------|----------------------|
| Finished products                                    | 459,795              | 418,394              |
| <b>Subtotal finished products, net</b>               | <b>459,795</b>       | <b>418,394</b>       |
| Products in process                                  | 1,142,531            | 1,055,664            |
| <b>Subtotal products in process, net</b>             | <b>1,142,531</b>     | <b>1,055,664</b>     |
| Material in warehouse and other                      | 485,012              | 381,932              |
| Obsolescence allowance adjustment                    | (72,500)             | (73,484)             |
| <b>Subtotal material in warehouse and other, net</b> | <b>412,512</b>       | <b>308,448</b>       |
| <b>Total</b>                                         | <b>2,014,838</b>     | <b>1,782,506</b>     |

The value of finished products is stated net of unrealized profit corresponding to the purchase and sales operations of associates and subsidiaries, and which according to accounting standards need to be discounted from the entries that originated them.

The inventory recognized as an expense in the cost of sales during period ended December 31, 2011 and 2010, corresponds to finished products and amounts to ThUS\$ 9,712,011 and ThUS\$ 8,777,024 respectively.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

The change in the obsolescence provision is described in the following table:

| Movements              | 12/31/2011<br>ThUS\$ |
|------------------------|----------------------|
| <b>Initial Balance</b> | <b>(73,484)</b>      |
| Additions              | (32,005)             |
| Reversals              | 32,989               |
| <b>Final Balance</b>   | <b>(72,500)</b>      |

In the consolidated statements of comprehensive income as of December 31, 2011, Codelco recognized a write-off of inventory in the amount of ThUS\$ 7,044, and did not have any write-offs during 2010.

#### 5. Deferred taxes and income taxes

This provision is stated in the item Current Tax Liabilities, in current liabilities, net of monthly provisional tax payments and other tax credits (Note 6).

In accordance with Law 20,455 related to reconstruction due to the earthquake, the income tax rates were changed for tax years 2012 and 2013 (fiscal years 2011 and 2012) to 20% and 18.5%, respectively from the 17% rate in force.

The effect of this tax rate change resulted in recognizing a deferred tax asset of ThUS\$ 22,735, with a credit to income, as of December 31, 2010. The deferred taxes that will be reversed in tax years 2012 and 2013 (fiscal years 2011 and 2012) amount to ThUS\$ 17,379 and ThUS\$ 5,356, respectively.

In accordance with Law 20,469 regarding the Specific Mining Tax, that changes the current income tax rate (5%) to be applied from tax year 2012 onwards, the Corporation has estimated a tax rate of 5.68% for that tax year.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

Deferred tax assets and liabilities are detailed as follows:

| Deferred tax assets              | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|----------------------------------|----------------------|----------------------|
| Provisions                       | 808,037              | 671,737              |
| Unrealized gains                 | 49,157               | 49,246               |
| Finance lease                    | 27,685               | 18,862               |
| Specific mining tax              | 35,854               | 7,452                |
| Derivatives - futures            | 317,888              | 1,232,505            |
| Advances from clients            | 196,811              | 217,734              |
| Derivatives interest rate swaps  | 70,259               | 52,740               |
| Health care plans                | 14,879               | 20,081               |
| Other                            | 8,506                | 31,754               |
| <b>Total deferred tax assets</b> | <b>1,529,076</b>     | <b>2,302,111</b>     |

| Deferred tax liabilities                                 | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|----------------------------------------------------------|----------------------|----------------------|
| Financial liabilities under effective interest rate      | 138                  | 8,000                |
| Price-level restatement of property, plant and equipment | 775,202              | 832,594              |
| Valuation of employee termination benefit                | 81,566               | 200,568              |
| Accelerated depreciation                                 | 2,206,342            | 1,915,741            |
| Provisions                                               | -                    | 46,808               |
| Other                                                    | 6,070                | 9,782                |
| <b>Total deferred tax liabilities</b>                    | <b>3,069,318</b>     | <b>3,013,493</b>     |

The effect of deferred taxes affecting equity is summarized as follows:

| Deferred taxes affecting Equity              | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|----------------------------------------------|----------------------|----------------------|
| Cash Flow Hedge                              | (897,100)            | (63,560)             |
| <b>Total deferred taxes affecting equity</b> | <b>(897,100)</b>     | <b>(63,560)</b>      |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

A reconciliation of taxes considering the legal tax rate and the calculation of the taxes actually paid is detailed as follows:

| Items                                                    | 12/31/2011       |                  |              |                         |           |
|----------------------------------------------------------|------------------|------------------|--------------|-------------------------|-----------|
|                                                          | Taxable base 20% | Taxable base 40% | Tax rate 20% | Additional tax rate 40% | Total     |
|                                                          | ThUS\$           | ThUS\$           | ThUS\$       | ThUS\$                  | ThUS\$    |
| Profit before taxes                                      | 5,547,150        | 5,547,150        | 1,109,430    | 2,218,860               | 3,328,290 |
| Permanent differences 20%                                | (751,284)        | -                | (150,257)    | -                       | (150,257) |
| Permanent differences 40%                                | -                | (183,497)        | -            | (73,399)                | (73,399)  |
| Income from corporations and other                       | (192,514)        | (192,514)        | (38,503)     | (77,006)                | (115,509) |
| Income from contractual companies                        | (232,853)        | -                | (46,571)     | -                       | (46,571)  |
| Income from Isapres (Private health insurance companies) | 1,391            | -                | 278          | -                       | 278       |
| Foreign exchange differences                             | (5,966)          | (5,966)          | (1,193)      | (2,386)                 | (3,579)   |
| Specific mining tax                                      | (384,838)        | (384,838)        | (76,968)     | (153,935)               | (230,903) |
| Dividends receivable                                     | -                | 67,104           | -            | 26,842                  | 26,842    |
| Other                                                    | 63,496           | 332,717          | 12,700       | 133,086                 | 145,786   |
| Specific mining tax net of deferred tax                  | -                | -                | -            | -                       | 358,738   |
| Change in annual tax rate                                | -                | -                | -            | -                       | (20,118)  |
| Effect of subsidiaries                                   | -                | -                | -            | -                       | 48,544    |
| <b>Total tax expense</b>                                 |                  |                  | 959,173      | 2,145,461               | 3,491,798 |

| Items                                                    | 12/31/2010       |                  |              |                         |           |
|----------------------------------------------------------|------------------|------------------|--------------|-------------------------|-----------|
|                                                          | Taxable base 17% | Taxable base 40% | Tax rate 17% | Additional tax rate 40% | Total     |
|                                                          | ThUS\$           | ThUS\$           | ThUS\$       | ThUS\$                  | ThUS\$    |
| Profit before taxes                                      | 4,487,922        | 4,487,922        | 762,947      | 1,795,169               | 2,558,116 |
| Permanent differences 17%                                | (588,768)        | -                | (100,092)    | -                       | (100,092) |
| Permanent differences 40%                                | -                | (290,069)        | -            | (116,028)               | (116,028) |
| Income from corporations and other                       | (72,774)         | (72,774)         | (12,372)     | (29,110)                | (41,482)  |
| Income from contractual companies                        | (234,402)        | -                | (39,848)     | -                       | (39,848)  |
| Income from Isapres (Private health insurance companies) | (2,174)          | -                | (370)        | -                       | (370)     |
| Foreign exchange differences                             | 826              | 826              | 140          | 330                     | 470       |
| Specific mining tax                                      | (304,652)        | (304,652)        | (51,791)     | (121,861)               | (173,652) |
| Dividends receivable                                     | -                | 106,244          | -            | 42,498                  | 42,498    |
| Other                                                    | 24,408           | (19,713)         | 4,149        | (7,885)                 | (3,736)   |
| Specific mining tax net of deferred tax                  | -                | -                | -            | -                       | 291,039   |
| Effect of subsidiaries                                   | -                | -                | -            | -                       | (21,434)  |
| <b>Total tax expense</b>                                 |                  |                  | 662,855      | 1,679,141               | 2,611,601 |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### 6. Current tax assets and liabilities

##### a) Current tax assets

This item shows the right to collect VAT fiscal credit, income taxes and other taxes receivable, and is detailed as follows:

| Item              | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|-------------------|----------------------|----------------------|
| VAT fiscal credit | 177,105              | 153,347              |
| Other taxes       | 9,437                | 5,153                |
| Income tax        | 68,388               | 35,726               |
| <b>Total</b>      | <b>254,930</b>       | <b>194,226</b>       |

##### b) Current tax liabilities

This item shows the income tax liabilities, net of monthly provisional payments:

| Item               | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|--------------------|----------------------|----------------------|
| Income tax payable | 137,267              | 307,952              |
| <b>Total</b>       | <b>137,267</b>       | <b>307,952</b>       |

#### 7. Non-current assets classified as held for sale

At 31 of December 2010, the balance of non-current assets classified as held for sale, the consolidated current asset, relates to the 40% participation the Corporation held in E-CL S.A. on that date. This amount represents the carrying amount of investment in that company, which is less than its fair value less costs of disposal.

In connection with the mentioned company, it must be noted that on November 6, 2009, Codelco and Suez Energy Andino S.A. (to date, the company which controls E-CL S.A. indirectly through Inversiones Mejillones S.A. and Inversiones Tocopilla Ltda.) agreed to execute and conclude the acts and contracts leading to a merger set to gather under one company all the shares and rights that Codelco and Suez Energy Andino S.A. had in E-CL S.A. Electroandina S.A., among other companies, oriented production, distribution and supply of electricity to industrial clients and mining enterprises established in the Norte Grande zone in Chile.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

At 31 of December 2010, the ownership of E-CL S.A. was represented by Codelco's 40% participation (16.35% direct participation and 23.65% indirect participation through Inversiones Mejillones 2 S.A.), a 52.4% stake of Suez Energy Andino S.A. and a remaining 7.6% stake held by non controlling shareholders.

Subsequently, on January 27, 2011, Codelco made the placement of 424,251,415 shares issued by E-CL S.A. (representing 40% of the shares of that company), which amounted to a total \$ 509,101,698,000, equivalent to US\$ 1,051.558 million, according to the observed dollar exchange rate on the effective day.

The financial profit after tax generated by this operation was US\$ 29.819 million.

#### 8. Property, Plant and Equipment

- a) The balances of Property, plant and equipment at December 31, 2011 comparative with December 31, 2010, are as follows:

| Property, Plant and Equipment, gross              | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|---------------------------------------------------|----------------------|----------------------|
| Construction in progress                          | 3,320,333            | 2,756,793            |
| Land                                              | 101,057              | 108,087              |
| Buildings                                         | 3,282,133            | 3,163,952            |
| Plant and Equipment                               | 10,632,843           | 9,767,914            |
| Fixtures and fittings                             | 35,085               | 35,600               |
| Motor vehicles                                    | 1,263,540            | 1,106,413            |
| Land Improvements                                 | 3,282,628            | 3,067,271            |
| Mining Operations                                 | 3,061,596            | 2,670,080            |
| Mine development                                  | 791,161              | 737,544              |
| Other Assets                                      | 727,499              | 735,895              |
| <b>Total Property, Plant and Equipment, gross</b> | <b>26,497,875</b>    | <b>24,149,549</b>    |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| <b>Property, Plant and Equipment, accumulated depreciation</b>       | <b>12/31/2011<br/>ThUS\$</b> | <b>12/31/2010<br/>ThUS\$</b> |
|----------------------------------------------------------------------|------------------------------|------------------------------|
| Construction in progress                                             | -                            | -                            |
| Land                                                                 | -                            | -                            |
| Buildings                                                            | 2,014,477                    | 1,905,162                    |
| Plant and Equipment                                                  | 6,049,883                    | 5,407,138                    |
| Fixtures and fittings                                                | 24,821                       | 24,123                       |
| Motor vehicles                                                       | 724,028                      | 643,353                      |
| Land Improvements                                                    | 1,941,146                    | 1,820,174                    |
| Mining Operations                                                    | 1,534,597                    | 1,305,938                    |
| Mine development                                                     | 362,835                      | 316,568                      |
| Other Assets                                                         | 408,324                      | 375,663                      |
| <b>Total Property, Plant and Equipment, accumulated depreciation</b> | <b>13,060,111</b>            | <b>11,798,119</b>            |

| <b>Property, Plant and Equipment, net</b>       | <b>12/31/2011<br/>ThUS\$</b> | <b>12/31/2010<br/>ThUS\$</b> |
|-------------------------------------------------|------------------------------|------------------------------|
| Construction in progress                        | 3,320,333                    | 2,756,793                    |
| Land                                            | 101,057                      | 108,087                      |
| Buildings                                       | 1,267,656                    | 1,258,790                    |
| Plant and Equipment                             | 4,582,960                    | 4,360,776                    |
| Fixtures and fittings                           | 10,264                       | 11,477                       |
| Motor vehicles                                  | 539,512                      | 463,060                      |
| Land Improvements                               | 1,341,482                    | 1,247,097                    |
| Mining Operations                               | 1,526,999                    | 1,364,142                    |
| Mine development                                | 428,326                      | 420,976                      |
| Other Assets                                    | 319,175                      | 360,232                      |
| <b>Total Property, Plant and Equipment, net</b> | <b>13,437,764</b>            | <b>12,351,430</b>            |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

#### b) Movement of Property, plant and equipment

| Movements                              | Construction in Progress | Land           | Buildings        | Plant and Equipment | Fixtures and fittings | Motor vehicles | Land Improvements | Mining Operations | Mining development |
|----------------------------------------|--------------------------|----------------|------------------|---------------------|-----------------------|----------------|-------------------|-------------------|--------------------|
| Opening Balance as of 1/1/2010         | 2,492,101                | 106,924        | 1,190,164        | 4,028,205           | 6,158                 | 453,887        | 1,023,198         | 1,156,339         |                    |
| Additions                              | 2,227,531                | 172            | 4,761            | 16,383              | 705                   | 27             | 0                 | 324,906           |                    |
| Disposals                              | (55,184)                 | (198)          | (14,981)         | (26,520)            | (523)                 | (6,820)        | (8,838)           | (26,957)          |                    |
| Capitalizations                        | (1,661,144)              | 55             | 166,091          | 923,208             | 6,361                 | 105,288        | 335,136           | 4,901             |                    |
| Depreciation and Amortization          | 0                        | 0              | (97,258)         | (600,038)           | (1,610)               | (92,054)       | (102,023)         | (317,433)         |                    |
| Reclassifications                      | (242,132)                | 0              | 11,088           | 727                 | 439                   | 2,732          | 4,562             | 222,386           |                    |
| Impairment                             | 0                        | 0              | 0                | 1,867               | 0                     | 0              | 0                 | 0                 |                    |
| Others                                 | (4,379)                  | 1,134          | (1,075)          | 16,944              | (53)                  | 0              | (4,938)           | 0                 |                    |
| Total movements                        | 264,692                  | 1,163          | 68,626           | 332,571             | 5,319                 | 9,173          | 223,899           | 207,803           |                    |
| <b>Final Balance as of 12/31//2010</b> | <b>2,756,793</b>         | <b>108,087</b> | <b>1,258,790</b> | <b>4,360,776</b>    | <b>11,477</b>         | <b>463,060</b> | <b>1,247,097</b>  | <b>1,364,142</b>  |                    |

| Movements                              | Construction in Progress | Land           | Buildings        | Plant and Equipment | Fixtures and fittings | Motor vehicles | Land Improvements | Mining Operations | Mining development |
|----------------------------------------|--------------------------|----------------|------------------|---------------------|-----------------------|----------------|-------------------|-------------------|--------------------|
| Opening Balance as of 1/1/2011         | 2,756,793                | 108,087        | 1,258,790        | 4,360,776           | 11,477                | 463,060        | 1,247,097         | 1,364,142         |                    |
| Additions                              | 2,335,287                | 17,625         | 129,884          | 12,116              | 1,233                 | 23             | 1,571             | 337,598           |                    |
| Disposals                              | 0                        | (19)           | 0                | (12,280)            | (106)                 | (4,336)        | (2)               | (49,052)          |                    |
| Capitalizations                        | (1,441,799)              | 387            | 99,270           | 916,880             | 1,362                 | 179,530        | 193,632           | 0                 |                    |
| Depreciation and Amortization          |                          | 0              | (111,659)        | (681,574)           | (2,340)               | (96,803)       | (119,920)         | (364,876)         |                    |
| Reclassifications                      | (273,272)                | 0              | 32,727           | 40,832              | 549                   | (1,450)        | 20,272            | 239,187           |                    |
| Impairment                             | (7,259)                  | (6,277)        | (10,525)         | (42,348)            | (106)                 | (569)          | (1,168)           | 0                 |                    |
| Others                                 | (49,419)                 | (18,746)       | (130,831)        | (11,442)            | (1,805)               | 57             | 0                 | 0                 |                    |
| Total movements                        | 563,540                  | (7,030)        | 8,866            | 222,184             | (1,213)               | 76,452         | 94,385            | 162,857           |                    |
| <b>Final Balance as of 12/31//2011</b> | <b>3,320,333</b>         | <b>101,057</b> | <b>1,267,656</b> | <b>4,582,960</b>    | <b>10,264</b>         | <b>539,512</b> | <b>1,341,482</b>  | <b>1,526,999</b>  |                    |



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

- c) During year 2011, an impairment loss amounting to MUS\$ 70,000 was recognized, which has been assigned to the assets of property, plant and equipment of the Division Ventanas. In the consolidated statements of comprehensive income this loss is recognized on line "Other expenses, by function".
- d) The value of construction in progress, is directly associated with the operating activities of the Corporation and its subsidiaries, and relates to the acquisition of equipment and projects in construction.
- e) The Corporation has contracted insurance policies to cover the potential risks to which the various elements of property, plant and equipment are subject, and any claims that could arise from their activities. These policies provide adequate coverage of the potential risks.
- f) Interest costs capitalized for the period from January 1 to December 31, 2011 amount to ThUS\$ 45,514, calculated based on an annual capitalization rate of 4.31%, and ThUS\$ 9,411 for the same period in the year 2010, calculated based on a capitalization rate of 4.26%.
- g) The Corporation currently has no ownership restrictions on Property, Plant and Equipment assets.

In addition, under no circumstance has management granted assets in guarantee to third parties to allow performance of its normal business activities or as a commitment to secure the payment of its obligations.

#### 9. Investments accounted for using the equity method

The following table sets forth the carrying amount and the share of profit of the investments accounted for using the equity method:

| Items                                                           | Equity Method  |                | Accrued net income     |                        |
|-----------------------------------------------------------------|----------------|----------------|------------------------|------------------------|
|                                                                 | 12/31/2011     | 12/31/2010     | 1/1/2011<br>12/31/2011 | 1/1/2010<br>12/31/2010 |
|                                                                 | ThUS\$         | ThUS\$         | ThUS\$                 | ThUS\$                 |
| Investments in associates accounted for using the equity method | 748,284        | 561,730        | 268,637                | 287,607                |
| Joint Ventures                                                  | 196,771        | 26,635         | 84,803                 | 15,788                 |
| <b>Total</b>                                                    | <b>945,055</b> | <b>588,365</b> | <b>353,440</b>         | <b>303,395</b>         |

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **a) Associates**

##### **Agua de la Falda S.A.**

As of December 31, 2011, Codelco has a 43.28% interest in Agua de la Falda S.A., with the remaining 56.72% owned by Minera Meridian Limitada.

The line of business of this company is to exploit deposits of gold and other minerals, in the third region of the country.

##### **Sociedad Contractual Minera El Abra**

Sociedad Contractual Minera El Abra was formed in 1994. As of December 31, 2011, Codelco has a 49% interest in Sociedad Contractual Minera El Abra, with the remaining 51% owned by Cyprus El Abra Corporation, a subsidiary of Freeport-McMoRan Copper & Gold Inc.

Company activities involve the extraction, production and marketing of copper cathodes.

##### **Sociedad Contractual Minera Purén**

At December 31, 2011, Codelco has a 35% interest in Sociedad Contractual Minera Purén, with the remaining 65% owned by Compañía Minera Mantos de Oro.

This company's line of business is to explore, identify, survey, investigate, develop and exploit mineral deposits in order to extract, produce and process ore.

##### **Kairos Mining S.A.**

As of December 31, 2011, Codelco has a 40% interest in Kairos Mining S.A., with the remaining 60% owned by Honeywell Chile S.A.

Its line of business is to provide automation and control services for industrial and mining activities and to license technology and software licenses.

##### **Mining Industry Robotic Solutions S.A.**

As of December 31, 2011, Codelco has a 36% interest in Mining Industry Robotic Solutions S.A., with the remainder owned by Support Company Limited with 53%, Nippon Mining & Metals Co. Ltd., 9% and Kuka Roboter GmbH, 2%.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

The company's line of business is the research, design, creation, invention, manufacture, installation, supply, maintenance and marketing in any form or type of robot products, technology products of a robotic nature or complementary supplies necessary for the marketing and maintenance of those products that can be used in the mining and metals industry and related services; to produce under license, license and market the licensing of products, processes and technology services of a robotic nature for the mining and metallurgical industry, as well as any other form of use by third parties of products or services based on such technology. In addition, the company can also form all types of companies and participate as a partner or shareholder in any existing company.

#### **Sociedad GNL Mejillones S.A.**

As of December 31, 2011, Codelco has a 37% interest in Sociedad GNL Mejillones S.A., with the remaining 63% owned by Suez Energy Andino S.A. These interests were established on November 5, 2010 when the Corporation did not increase the capital agreed upon by the meeting of shareholders of such company. Before the actual increase, both the Corporation and Suez Energy Andino S.A. had a 50% interest each.

Its line of business is the production, storage, marketing, transportation and distribution of all types of fuel, and the acquisition, construction, maintenance and operation of infrastructure facilities and construction projects necessary for transport, reception, processing and storage both in Chile and abroad, singly or in partnership with third parties.

#### **Comotech S.A.**

As of December 31, 2011, Codelco has a 33.33% interest in Comotech S.A. through its indirect subsidiary Innovaciones en Cobre S.A., Molibdenos y Metales S.A. and Universidad de Chile. Each of the two companies owns a 33.33% interest.

The company's line of business is to carry out research activities to increase the demand for molybdenum at the national and international level through new and better applications, uses and/or markets.

#### **Inca de Oro S.A.**

On June 1, 2009 Codelco's Board authorized the formation of a company destined to developing studies to allow continuity of the Inca de Oro Project.

As of December 31, 2010, Codelco had full ownership of Inca de Oro S.A. (79.74% direct and 20.26% through its subsidiary Sociedad Contractual Minera Los Andes).

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

Subsequently, on February 15, 2011, the association of Codelco and Minera PanAust IDO Ltda. was approved in respect to the Inca de Oro deposit, which implies that the latter will have 66% share of Inca de Oro S.A. and Codelco shall maintain a 34% share.

This operation generated net gain after taxes in the amount of US\$ 33,668 million for Codelco.

#### **Copper for Energy S.A.**

As of December 31, 2011, Codelco has a 25% interest in the share capital of International Copper Association Ltd., a 25% interest in Fundación Chile and a 25% interest in Universidad de Chile.

Copper for Energy S.A.'s line of business is to develop and commercialize new products and applications for copper, destined to make the most efficient use of energy and/ or to generate and utilize renewable energy; conducting and ordering research, carrying out studies and projects, rendering of training services and activities.

#### **Ecosea Farming S.A.**

As of December 31, 2011, Codelco held a 47.4% interest.

The company's objective is the transfer, adaptation, research and development of technologies and support services based on copper and alloys for aquaculture and related areas, and the production and marketing of all forms of products and / or services obtained from them.

#### **Deutsche Giessdraht GmbH**

As of December 31, 2011, Aurubis and Codelco through its affiliate, Codelco Kupferhandel GmbH, have a 60% and 40% interest, respectively.

The business model is to produce wire rods in its Emmerich, Germany facility.

The following table demonstrates the equity value and accrued results of investments in associates:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

| Associates                          | Taxpayer number | Functional Currency | Equity interest |            | Equity Method  |                |
|-------------------------------------|-----------------|---------------------|-----------------|------------|----------------|----------------|
|                                     |                 |                     | 12/31/2011      | 12/31/2010 | 12/31/2011     | 12/31/2010     |
|                                     |                 |                     | %               | %          | ThUS\$         | ThUS\$         |
| Deutsche Geissdraht GmbH            | Foreign         | EURO                | 40.00%          | 40.00%     | 4,283          | 4,141          |
| Agua de la Falda S.A.               | 96.801.450-1    | USD                 | 43.28%          | 43.28%     | 5,731          | 5,810          |
| Sociedad Contractual Minera El Abra | 96.701.340-4    | USD                 | 49.00%          | 49.00%     | 666,968        | 542,625        |
| Minera Purén SCM                    | 76.028.880-2    | USD                 | 35.00%          | 35.00%     | 23,033         | 5,407          |
| Sociedad GNL Mejillones S.A.        | 76.775.710-7    | USD                 | 37.00%          | 50.00%     | -              | -              |
| Kairos Mining S.A.                  | 76.781.030-K    | CLP                 | 40.00%          | 40.00%     | 130            | 105            |
| MI Robotic Solutions S.A.           | 76.869.100-2    | CLP                 | 36.00%          | 36.00%     | 2,241          | 2,537          |
| E - CL S.A.                         | 88.006.900-4    | USD                 | -               | 40.00%     | -              | -              |
| Inca de Oro S.A.                    | 73.063.022-5    | USD                 | 34.00%          | -          | 44,817         | -              |
| Other                               |                 |                     |                 |            | 1,081          | 1,105          |
| <b>TOTAL</b>                        |                 |                     |                 |            | <b>748,284</b> | <b>561,730</b> |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

The following tables provide details of the assets, liabilities and major movements in investments in associates accounted for using the equity method and their respective results during period ended December 31, 2010 and 2011

| <b>Assets and liabilities</b> | <b>12/31/2011<br/>ThUS\$</b> | <b>12/31/2010<br/>ThUS\$</b> |
|-------------------------------|------------------------------|------------------------------|
| Current assets                | 808,605                      | 793,845                      |
| Non- Current assets           | 1,717,531                    | 1,878,260                    |
| Current liabilities           | 513,798                      | 543,184                      |
| Non- Current liabilities      | 361,182                      | 539,212                      |

| <b>Net income</b>     | <b>1/1/2011<br/>12/31/2011<br/>ThUS\$</b> | <b>1/1/2010<br/>12/31/2010<br/>ThUS\$</b> |
|-----------------------|-------------------------------------------|-------------------------------------------|
| Revenue               | 1,752,929                                 | 1,570,474                                 |
| Cost of sales         | (1,167,780)                               | (1,173,902)                               |
| Profit for the period | 585,149                                   | 396,572                                   |

| <b>Movements of investment in associates</b> | <b>1/1/2011<br/>12/31/2011<br/>ThUS\$</b> | <b>1/1/2010<br/>12/31/2010<br/>ThUS\$</b> |
|----------------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Opening balances</b>                      | <b>561,730</b>                            | <b>1,100,156</b>                          |
| Contributions                                | 22,259                                    | -                                         |
| Dividends                                    | (85,750)                                  | (179,040)                                 |
| Decrease in equity / disposals               | -                                         | (2)                                       |
| Net income for the period                    | 268,637                                   | 287,607                                   |
| Foreign exchange differences                 | (228)                                     | 262                                       |
| Asset reclassification as available for sale | -                                         | (672,409)                                 |
| Fair Value adjustment by the Loss of control | 20,904                                    | -                                         |
| Transfer of negative equity                  | (30,094)                                  | 4,778                                     |
| Sale of E-CL ownership interest              | -                                         | 42,976                                    |
| Other comprehensive income                   | (12,001)                                  | -                                         |
| Other                                        | 2,827                                     | (22,598)                                  |
| <b>Final balance</b>                         | <b>748,284</b>                            | <b>561,730</b>                            |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### b) Joint ventures

At December 31, 2011, the Corporation participates in the Copper Partners Investment Company Limited Joint venture. This partnership dates from March 2006 when Codelco Chile through its subsidiary Codelco International Ltd., executed the agreement with Album Enterprises Limited (a subsidiary of Minmetals) to form the company, in which both companies hold equal interests.

| Identification of the company              | Equity interest percentage |
|--------------------------------------------|----------------------------|
| Copper Partners Investment Company Limited | 50%                        |

| Assets and liabilities    | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|---------------------------|----------------------|----------------------|
| Current Assets            | 210,515              | 138,824              |
| Non - current assets      | 308,616              | 345,324              |
| Current Liabilities       | 40,161               | 258,021              |
| Non - current liabilities | 85,428               | 172,858              |

| Net income    | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|---------------|----------------------------------|----------------------------------|
| Revenue       | 490,846                          | 434,426                          |
| Cost of sale  | (321,240)                        | (402,850)                        |
| Profit (loss) | 169,606                          | 31,576                           |

| Movements of the investment in Joint Ventures | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|-----------------------------------------------|----------------------------------|----------------------------------|
| Opening Balance                               | 26,635                           | -                                |
| Net income for the period                     | 84,803                           | 15,788                           |
| Distribution                                  | (7,818)                          | (12,431)                         |
| Transfer of negative equities                 | -                                | (64,342)                         |
| Other comprehensive income                    | 93,151                           | 87,620                           |
| <b>Total</b>                                  | <b>196,771</b>                   | <b>26,635</b>                    |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### c) Interest in negative equity

The Corporation, at December 31, 2011 and 2010, has an interest in the following negative equities (amounts expressed in ThUS\$):

| Entity                       | Equity interest percentage | Negative Equity |            |
|------------------------------|----------------------------|-----------------|------------|
|                              |                            | 12/31/2011      | 12/31/2010 |
| Sociedad GNL Mejillones S.A. | 37%                        | (41,789)        | (116,152)  |
| Copper for Energy S.A.       | 25%                        | (44)            | -          |

#### d) Additional information about unrealized profit

The Corporation has recognized unrealized profit for purchases and sales of products, mining properties, property, plant and equipment and ownership rights. The most significant transactions include the transaction carried out in 1994 for the initial contribution of mining properties to Sociedad Contractual Minera El Abra.

The balance of unrealized profit to be recognized as of December 31, 2011 is ThUS\$ 86,240 (12/31/2010 ThUS\$86,240). This figure is shown by deducting the investment in this company.

Codelco carries out copper purchases and sales with this company. At December 31, 2011, and 2010, the value of finished products in Inventory does not have an unrealized profit accrual.

## 10. Subsidiaries

The following tables present a detail of the assets, liabilities and results of the Corporation's subsidiaries, prior to consolidation adjustments:

| Assets and Liabilities   | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|--------------------------|----------------------|----------------------|
| Current Assets           | 697,933              | 338,871              |
| Non- Current Assets      | 618,753              | 721,681              |
| Current Liabilities      | 431,813              | 231,351              |
| Non- Current liabilities | 305,783              | 297,303              |

| Net income            | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|-----------------------|----------------------------------|----------------------------------|
| Revenue               | 2,634,729                        | 1,273,466                        |
| Cost of sales         | (2,477,072)                      | (1,216,205)                      |
| Profit for the period | 157,657                          | 57,261                           |



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### 11. Other non-current non-financial assets

Other non-current non-financial assets included in the consolidated statement of financial position as of December 31, 2011 and 2010 are detailed as follows:

| Other non-current financial assets | 12/31/2011     | 12/31/2010     |
|------------------------------------|----------------|----------------|
|                                    | ThUS\$         | ThUS\$         |
| Anglo American Purchase Option (1) | 155,700        | 155,700        |
| Law No. 13,196 asset (2)           | 34,528         | 38,199         |
| Other                              | 13,722         | 9,606          |
| <b>TOTAL</b>                       | <b>203,950</b> | <b>203,505</b> |

- (1) On December 19, 2008, Empresa Nacional de Minería (ENAMI) assigned Codelco Chile the right to buy up to 49% of the shares of Anglo American Sur S.A.

The figure presented on December 31, 2011 corresponds to the amounts paid by Codelco to Enami. These payments were made in three installments during 2010.

The purchase option mentioned above contains a derivative, the exact value, based on its characters and other factors, is difficult to measure. Therefore the terms of IAS 39 AG81 have been used.

Note 29 "Contingencies and restrictions" and Note 33 "Subsequent Events" of the financial statements, the report of Significant Events in this statement, acknowledges the process of exercising the purchase right by Codelco of the social interest indicated before, as well as the position taken by Anglo American and Codelco.

- (2) This corresponds to the recording of the commitment related to Law N°13,196, for the advance payment received for the copper sales contract signed with Copper Partners Investment Company Limited. This amount will be amortized according to the shipments made.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### 12. Current and non-current financial assets

Current and non-current financial assets included in the statement of financial position are detailed as follows:

| Classification in the statement of financial position | 12/31/2011                           |                       |                     |                    |                               |
|-------------------------------------------------------|--------------------------------------|-----------------------|---------------------|--------------------|-------------------------------|
|                                                       | At fair value though profit and loss | Loans and receivables | Hedging derivatives | Available for sale | Total financial assets ThUS\$ |
| Cash and Cash equivalents                             | 7,240                                | 1,375,636             | -                   | -                  | 1,382,876                     |
| Trade and other current receivables                   | (47,781)                             | 2,016,050             | -                   | -                  | 1,968,269                     |
| Rights receivables, non current                       | -                                    | 132,721               | -                   | -                  | 132,721                       |
| Due from related companies, current                   | -                                    | 56,357                | -                   | -                  | 56,357                        |
| Due from related companies, non - current             | -                                    | 75,860                | -                   | -                  | 75,860                        |
| Other current financial assets                        | -                                    | 1,171                 | 192,066             | -                  | 193,237                       |
| Other non - current financial assets                  | -                                    | 9,275                 | 93,318              | -                  | 102,593                       |
| <b>TOTAL</b>                                          | <b>(40,541)</b>                      | <b>3,667,070</b>      | <b>285,384</b>      | <b>-</b>           | <b>3,911,913</b>              |

| Classification in the statement of financial position | 12/31/2010                           |                       |                     |                    |                               |
|-------------------------------------------------------|--------------------------------------|-----------------------|---------------------|--------------------|-------------------------------|
|                                                       | At fair value though profit and loss | Loans and receivables | Hedging derivatives | Available for sale | Total financial assets ThUS\$ |
| Cash and Cash equivalents                             | 61,855                               | 812,184               | -                   | -                  | 874,039                       |
| Trade and other current receivables                   | 406,837                              | 2,307,169             | -                   | -                  | 2,714,006                     |
| Rights receivables, non current                       | -                                    | 198,785               | -                   | -                  | 198,785                       |
| Due from related companies, current                   | -                                    | 157,954               | -                   | -                  | 157,954                       |
| Due from related companies, non - current             | -                                    | 104,896               | -                   | -                  | 104,896                       |
| Other current financial assets                        | -                                    | 8,117                 | 187,021             | -                  | 195,138                       |
| Other non - current financial assets                  | -                                    | 7,826                 | 173,299             | -                  | 181,125                       |
| <b>TOTAL</b>                                          | <b>468,692</b>                       | <b>3,596,931</b>      | <b>360,320</b>      | <b>-</b>           | <b>4,425,943</b>              |

- **Financial assets designated at fair value through profit or loss:** At December 31, 2011, this category mainly includes unfinished product sale invoices and mutual fund investments made by Codelco Chile subsidiaries.

The effects on results of unfinished bills of sale are determined by the differences between the provisional price at the date of shipment and the futures price curve of products, as explained under

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

the title Accounting policies (letter p of number 2 of Chapter II), while mutual funds affect the result by the change in fair value of shares.

- **Loans granted and receivables:** These correspond to financial assets with fixed or determinable payments that are not traded in an active market.

The effects on the period's statements of comprehensive income generated by these assets, come mainly from financial interest gains and from the exchange rate differences related to the balances in currencies other than the functional currency.

No material impairments were recognized in accounts receivable.

- **Hedging derivatives:** Correspond to the receivable balances for derivative contracts, for the exposure generated by existing operations and which effect on profit and loss are from liquidation of these operations. The detail of derivative transactions is included in Note 28.
- **Available-for-sale financial assets:** These correspond primarily to non-derivative financial assets that are specifically designated as available for sale or are not classified as: a) loans and receivables, b) investments held to maturity or c) financial assets carried at fair value through profit or loss (IAS 39, paragraph 9).

Within the period presented, there was no reclassification of financial instruments among the different categories established under IAS 39.

### 13. Interest-bearing borrowings

Current and non-current interest-bearing borrowings correspond to Borrowings from financial institutions, Bond obligations and Finance leases, which are recorded by the Corporation at amortized cost using the effective interest rate method.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

The following tables detail the composition of the item “other financial liabilities, current and non-current.”

| Items                         | 12/31/2011               |                   |                  |                          |                   |                  |
|-------------------------------|--------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
|                               | Current                  |                   |                  | Non- Current             |                   |                  |
|                               | Loans and other payables | Hedge derivatives | Total            | Loans and other payables | Hedge derivatives | Total            |
|                               | ThUS\$                   | ThUS\$            | ThUS\$           | ThUS\$                   | ThUS\$            | ThUS\$           |
| Loans from financial entities | 41,276                   | -                 | 41,276           | 1,196,645                | -                 | 1,196,645        |
| Bonds                         | 802,954                  | -                 | 802,954          | 5,008,399                | -                 | 5,008,399        |
| Financial Lease               | 22,954                   | -                 | 22,954           | 106,095                  | -                 | 106,095          |
| Hedge obligations             | -                        | 770,666           | 770,666          | -                        | 25                | 25               |
| Other financial liabilities   | 5,574                    | -                 | 5,574            | 83,990                   | -                 | 83,990           |
| <b>Total</b>                  | <b>872,758</b>           | <b>770,666</b>    | <b>1,643,424</b> | <b>6,395,129</b>         | <b>25</b>         | <b>6,395,154</b> |

| Items                         | 12/31/2010               |                   |                  |                          |                   |                  |
|-------------------------------|--------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
|                               | Current                  |                   |                  | Non- Current             |                   |                  |
|                               | Loans and other payables | Hedge derivatives | Total            | Loans and other payables | Hedge derivatives | Total            |
|                               | ThUS\$                   | ThUS\$            | ThUS\$           | ThUS\$                   | ThUS\$            | ThUS\$           |
| Loans from financial entities | 340,613                  | -                 | 340,613          | 1,296,050                | -                 | 1,296,050        |
| Bonds                         | 61,933                   | -                 | 61,933           | 4,647,841                | -                 | 4,647,841        |
| Financial Lease               | 17,367                   | -                 | 17,367           | 122,503                  | -                 | 122,503          |
| Hedge obligations             | -                        | 1,493,312         | 1,493,312        | -                        | 1,028,308         | 1,028,308        |
| Other financial liabilities   | 5,683                    | -                 | 5,683            | 94,780                   | -                 | 94,780           |
| <b>Total</b>                  | <b>425,596</b>           | <b>1,493,312</b>  | <b>1,918,908</b> | <b>6,161,174</b>         | <b>1,028,308</b>  | <b>7,189,482</b> |

These items are generated by the following situations:

- ***Borrowings from financial institutions:***

The loans obtained by the Corporation for up to a twelve-month term, contracted at the market interest rate to finance its production operations oriented towards the foreign market.

The loans obtained by the Corporation for terms that exceed twelve month are mainly to finance the investments required for production processes.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

- ***Bond obligations:***

On November 18, 2002, the Corporation issued and placed bonds on the domestic market, under the rules of the Superintendency of Securities and Insurance. These bonds were issued for a nominal amount of UF7,000,000, in a single series denominated Series A, and consist of 70,000 bonds for UF100 each. These bonds are payable in a single installment on September 1, 2012, with a 4.0% annual interest rate and with bi-annual interest payments.

On November 30, 2002, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$435,000. These bonds are payable in a single installment on November 30, 2012, with a 6.375% annual interest rate and with bi-annual interest payments.

On October 15, 2003, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on October 15, 2013, with a 5.5% annual interest rate and with bi-annual interest payments.

On October 15, 2004, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single

installment on October 15, 2014, with a 4.750% annual interest rate and with bi-annual interest payments.

On May 10, 2005, the Corporation issued and placed bonds on the domestic market for a nominal amount of UF6,900,000, in a single series denominated Series B, and consist of 6,900 bonds for UF1,000 each. These bonds are payable in a single installment on April 1, 2025, with a 3.29% annual interest rate and with bi-annual interest payments.

On September 21, 2005, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on September 21, 2035, with a 5.6250% annual interest rate and with bi-annual interest payments.

On October 19, 2006, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on October 24, 2036, with a 6.15% annual interest rate and with bi-annual interest payments.

On January 20, 2009, the Corporation issued and placed bonds on the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$600,000. These bonds mature in a single installment on January 15, 2019, at an interest rate of 7.5% per annum with interest paid bi-annually.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

On November 4, 2010 the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$1,000,000. These bonds mature in a single installment on November 4, 2020, at an interest rate of 3.75% per annum with interest paid bi-annually.

On November 3, 2011, the Corporation issued and placed bonds in the U.S. market, under Rule 144A and Regulation S, for a nominal amount of ThUS \$1,150,000. These bonds will mature in a single installment on November 3, 2021, with an interest rate of 3.875% per annum, with interest paid semiannually.

- ***Financial debt commissions and expenses:***

Obtaining financial resources generates, in addition to the interest rate, fees and other expenses charged by the financial institutions, and the Corporation receives the net value of the loans. These expenses are amortized based on the effective interest rate determined using the amortized cost method.

- ***Finance leases:***

Finance lease transactions are generated for service contracts, principally for buildings and machinery.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)

(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

At December 31, 2011, the detail of Borrowings from financial institutions and Bond obligations is as follows:

| 12/31/2011      |                          |                               |                           |            |          |          |         | Type of amortization | Payment of interest | Nominal Rate |
|-----------------|--------------------------|-------------------------------|---------------------------|------------|----------|----------|---------|----------------------|---------------------|--------------|
| Taxpayer number | Country                  | Loans with financial entities | Institution               | Maturity   | Rate     | Currency | Amount  |                      |                     |              |
| Foreign         | United States of America | Export pre-funding            | BBVA Bancomer             | 9/27/2014  | Floating | US\$     | 400,000 | Maturity             | Quarterly           | 0.75%        |
| Foreign         | England                  | Export pre-funding            | Banco Santander Londres   | 11/30/2015 | Floating | US\$     | 75,000  | Maturity             | Quarterly           | 1.36%        |
| Foreign         | Bermuda                  | Export pre-funding            | HSBC Bank Bermuda Limited | 12/17/2015 | Floating | US\$     | 162,500 | Maturity             | Quarterly           | 1.41%        |
| Foreign         | United States of America | Export pre-funding            | Bank of Tokyo-Mitsubishi  | 12/22/2015 | Floating | US\$     | 100,000 | Maturity             | Quarterly           | 1.32%        |
| Foreign         | United States of America | Export pre-funding            | Banco Santander           | 12/23/2015 | Floating | US\$     | 100,000 | Maturity             | Quarterly           | 1.42%        |
| Foreign         | Canada                   | Export pre-funding            | Export. Dev. Canada       | 12/28/2015 | Floating | US\$     | 250,000 | Maturity             | Quarterly           | 1.38%        |
| Foreign         | United States of America | Export pre-funding            | Sumitomo Mitsui Banking   | 2/18/2016  | Floating | US\$     | 100,000 | Maturity             | Quarterly           | 1.38%        |
| Foreign         | Germany                  | Credit line                   | HSBC Trinkaus & Burkhardt |            | Floating | Euro     | 15,364  |                      |                     | 1.65%        |
| Foreign         | Germany                  | Credit line                   | Deutsche Bank             |            | Floating | Euro     | 14,562  |                      |                     | 1.65%        |
|                 |                          |                               | Other Institutions        |            |          |          |         |                      |                     |              |
| <b>TOTAL</b>    |                          |                               |                           |            |          |          |         |                      |                     |              |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)

(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

| Bonds        | Country                  | Maturity   | Rate  | Currency | Amount    | Type of amortization | Payment of interest | Nominal Rate | Effective interest rate |
|--------------|--------------------------|------------|-------|----------|-----------|----------------------|---------------------|--------------|-------------------------|
| BCODE-A      | Chile                    | 9/1/2012   | Fixed | U.F.     | 7,000,000 | Maturity             | Semi annual         | 3.96%        |                         |
| 144-A REG.S  | United States of America | 11/30/2012 | Fixed | US\$     | 435,000   | Maturity             | Semi annual         | 6.38%        |                         |
| 144-A REG.S  | United States of America | 10/15/2013 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         | 5.50%        |                         |
| 144-A REG.S  | United States of America | 10/15/2014 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         | 4.75%        |                         |
| 114-A REG.S  | United States of America | 1/15/2019  | Fixed | US\$     | 600,000   | Maturity             | Semi annual         | 7.50%        |                         |
| 114-A REG.S  | United States of America | 11/4/2020  | Fixed | US\$     | 1,000,000 | Maturity             | Semi annual         | 3.75%        |                         |
| 114-A REG.S  | United States of America | 11/3/2021  | Fixed | US\$     | 1,150,000 | Maturity             | Semi annual         | 3.88%        |                         |
| BCODE-B      | Chile                    | 4/1/2025   | Fixed | U.F.     | 6,900,000 | Maturity             | Semi annual         | 4.00%        |                         |
| 144-A REG.S  | United States of America | 9/21/2035  | Fixed | US\$     | 500,000   | Maturity             | Semi annual         | 5.63%        |                         |
| 144-A REG.S  | United States of America | 10/24/2036 | Fixed | US\$     | 500,000   | Maturity             | Semi annual         | 6.15%        |                         |
| <b>TOTAL</b> |                          |            |       |          |           |                      |                     |              |                         |

Nominal and effective interest rates presented above correspond to annual rates.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)

(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

At December 31, 2010, the detail of Borrowings from financial institutions and Bond obligations is as follows:

| 12/31/2010      |                          |                               |                           |            |          |          |         | Type of amortization | Payment of interest | Nominal Rate |
|-----------------|--------------------------|-------------------------------|---------------------------|------------|----------|----------|---------|----------------------|---------------------|--------------|
| Taxpayer number | Country                  | Loans with financial entities | Institution               | Maturity   | Rate     | Currency | Amount  |                      |                     |              |
| Foreign         | United States of America | Export pre-funding            | Bank of Tokyo-Mitsubishi  | 12/22/2015 | Floating | US\$     | 100,000 | Maturity             | Quarterly           | 1.05%        |
| Foreign         | Bermuda                  | Export pre-funding            | HSBC Bank Bermuda Limited | 12/17/2015 | Floating | US\$     | 162,500 | Maturity             | Quarterly           | 1.15%        |
| Foreign         | United States of America | Export pre-funding            | BBVA Bancomer             | 9/27/2014  | Floating | US\$     | 400,000 | Maturity             | Quarterly           | 0.45%        |
| Foreign         | United States of America | Export pre-funding            | Bank of Tokyo-Mitsubishi  | 6/29/2011  | Floating | US\$     | 100,000 | Maturity             | Quarterly           | 0.65%        |
| Foreign         | United States of America | Export pre-funding            | Banco Santander           | 12/9/2011  | Floating | US\$     | 200,000 | Maturity             | Quarterly           | 0.95%        |
| Foreign         | Canada                   | Export pre-funding            | Export. Dev. Canada       | 12/28/2015 | Floating | US\$     | 250,000 | Maturity             | Quarterly           | 1.10%        |
| Foreign         | Canada                   | Export pre-funding            | Export. Dev. Canada       | 3/26/2012  | Floating | US\$     | 200,000 | Maturity             | Quarterly           | 0.95%        |
| Foreign         | England                  | Export pre-funding            | Banco Santander Londres   | 11/30/2015 | Floating | US\$     | 75,000  | Maturity             | Quarterly           | 1.14%        |
| Foreign         | United States of America | Export pre-funding            | Banco Santander           | 12/23/2015 | Floating | US\$     | 100,000 | Maturity             | Quarterly           | 1.15%        |
| Foreign         | Germany                  | Credit line                   | HSBC Trinkaus & Burkhardt |            | Floating | Euro     | 15,373  |                      |                     | 1.90%        |
| Foreign         | Germany                  | Credit line                   | Deutsche Bank             |            | Floating | Euro     | 13,512  |                      |                     | 1.94%        |
|                 |                          |                               | Other institutions        |            |          |          |         |                      |                     |              |
| <b>TOTAL</b>    |                          |                               |                           |            |          |          |         |                      |                     |              |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

| Bonds        | Country                  | Maturity   | Rate  | Currency | Amount    | Type of amortization | Payment of interest | Nominal Rate | Effective interest rate |
|--------------|--------------------------|------------|-------|----------|-----------|----------------------|---------------------|--------------|-------------------------|
| BCODE-A      | Chile                    | 9/1/2012   | Fixed | U.F.     | 7,000,000 | Maturity             | Semi Annual         | 3.96%        |                         |
| 144-A REG.S  | United States of America | 11/30/2012 | Fixed | US\$     | 435,000   | Maturity             | Semi Annual         | 6.38%        |                         |
| 144-A REG.S  | United States of America | 10/15/2013 | Fixed | US\$     | 500,000   | Maturity             | Semi Annual         | 5.50%        |                         |
| 144-A REG.S  | United States of America | 10/15/2014 | Fixed | US\$     | 500,000   | Maturity             | Semi Annual         | 4.75%        |                         |
| BCODE-B      | Chile                    | 4/1/2025   | Fixed | U.F.     | 6,900,000 | Maturity             | Semi Annual         | 4.00%        |                         |
| 144-A REG.S  | United States of America | 9/21/2035  | Fixed | US\$     | 500,000   | Maturity             | Semi Annual         | 5.63%        |                         |
| 144-A REG.S  | United States of America | 10/24/2036 | Fixed | US\$     | 500,000   | Maturity             | Semi Annual         | 6.15%        |                         |
| 114-A REG.S  | United States of America | 1/15/2019  | Fixed | US\$     | 600,000   | Maturity             | Semi Annual         | 7.50%        |                         |
| 114-A REG.S  | United States of America | 11/4/2020  | Fixed | US\$     | 1,000,000 | Maturity             | Semi Annual         | 3.75%        |                         |
| <b>TOTAL</b> |                          |            |       |          |           |                      |                     |              |                         |

Nominal and effective interest rates presented above correspond to annual rates.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)

(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

At December 31, 2011, the detail of amounts due undiscounted that the Corporation has with financial institutions is as follows:

| 12/31/2011                |          |                         |              |                      | Current           |                   |               | Non-Current        |                     |
|---------------------------|----------|-------------------------|--------------|----------------------|-------------------|-------------------|---------------|--------------------|---------------------|
| Debtor's name             | Currency | Effective interest rate | Nominal rate | Type or amortization | Less than 90 days | More than 90 days | Total Current | One to three years | Three to five years |
| THE BANK OF TOKYO M.      | US\$     | 1.42%                   | 1.32%        | Quarterly            | 353               | 1,059             | 1,412         | 2,826              | 101,415             |
| HSBC BANK BERMUDA LIMITED | US\$     | 1.53%                   | 1.41%        | Quarterly            | 619               | 1,858             | 2,477         | 4,961              | 164,984             |
| BBVA BANCOMER             | US\$     | 0.80%                   | 0.75%        | Quarterly            | 798               | 2,394             | 3,192         | 405,588            | -                   |
| EXPORT DEVELOP CANADA     | US\$     | 1.50%                   | 1.38%        | Quarterly            | 933               | 2,802             | 3,735         | 7,481              | 253,746             |
| BANCO SANTANDER LONDRES   | US\$     | 1.49%                   | 1.36%        | Quarterly            | 277               | 833               | 1,110         | 2,223              | 76,113              |
| BANCO SANTANDER S.A.      | US\$     | 1.55%                   | 1.42%        | Quarterly            | 385               | 1,155             | 1,540         | 3,084              | 101,544             |
| SUMITOMO MITSUI BANKING   | US\$     | 1.45%                   | 1.38%        | Quarterly            | 348               | 1,084             | 1,432         | 2,791              | 101,992             |
| BOND 144-A REG. 2012      | US\$     | 6.48%                   | 6.38%        | Semi annual          | -                 | 463,150           | 463,150       | -                  | -                   |
| BOND 144-A REG. 2013      | US\$     | 5.57%                   | 5.50%        | Semi annual          | -                 | 27,824            | 27,824        | 527,842            | -                   |
| BOND 144-A REG. 2014      | US\$     | 4.99%                   | 4.75%        | Semi annual          | -                 | 24,796            | 24,796        | 549,753            | -                   |
| BOND 144-A REG. 2035      | US\$     | 5.78%                   | 5.63%        | Semi annual          | 14,161            | 28,324            | 42,485        | 56,684             | 56,736              |
| BOND 144-A REG. 2036      | US\$     | 6.22%                   | 6.15%        | Semi annual          | -                 | 30,823            | 30,823        | 61,661             | 61,682              |
| BOND 144-A REG. 2019      | US\$     | 7.79%                   | 7.50%        | Semi annual          | 22,986            | 23,005            | 45,991        | 92,224             | 92,591              |
| BOND 144-A REG. 2020      | US\$     | 3.98%                   | 3.75%        | Semi annual          | -                 | 39,154            | 39,154        | 78,510             | 78,798              |
| BOND 144-A REG. 2021      | US\$     | 4.07%                   | 3.88%        | Semi annual          | -                 | 46,050            | 46,050        | 92,286             | 92,551              |
| Total ThUS\$              |          |                         |              |                      | 40,860            | 694,311           | 735,171       | 1,887,914          | 1,182,152           |

|                   |      |       |       |             |         |           |           |           |           |
|-------------------|------|-------|-------|-------------|---------|-----------|-----------|-----------|-----------|
| BOND BCODE-A 2012 | U.F. | 4.45% | 3.96% | Semi annual | 154,996 | 7,155,360 | 7,310,356 | -         | -         |
| BOND BCODE-B 2025 | U.F. | 3.24% | 4.00% | Semi annual | 6,900   | 241,789   | 248,689   | 480,188   | 475,419   |
| Total U.F.        |      |       |       |             | 161,896 | 7,397,149 | 7,559,045 | 480,188   | 475,419   |
| Total ThUS\$      |      |       |       |             | 6,954   | 317,738   | 324,692   | 20,626    | 20,421    |
| Total ThUS\$      |      |       |       |             | 47,814  | 1,012,049 | 1,059,863 | 1,908,540 | 1,202,573 |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

At December 31, 2010, the detail of amounts due undiscounted that the Corporation has with financial institutions is as follows:

| 12/31/2010                    |          |                         |              |                      | Current           |                   |               | Non- Current       |                     |                      |
|-------------------------------|----------|-------------------------|--------------|----------------------|-------------------|-------------------|---------------|--------------------|---------------------|----------------------|
| Debtor's name                 | Currency | Effective interest rate | Nominal rate | Type or amortization | Less than 90 days | More than 90 days | Total Current | One to three years | Three to five years | More than five years |
| BBVA BANCOMER S.A.            | US\$     | 0.45%                   | 0.45%        | Quarterly            | 453               | 1,358             | 1,811         | 405,061            | -                   | -                    |
| BANCO SANTANDER S. A.         | US\$     | 0.95%                   | 0.95%        | Quarterly            | 360               | 201,465           | 201,825       | -                  | -                   | -                    |
| EDC                           | US\$     | 0.95%                   | 0.95%        | Quarterly            | 471               | 1,435             | 1,906         | 200,482            | -                   | -                    |
| BANCO SANTANDER LONDRES       | US\$     | 1.26%                   | 1.14%        | Quarterly            | 141               | 718               | 859           | 2,575              | 75,846              | -                    |
| HSBC BANK BERMUDA LIMITED     | US\$     | 1.27%                   | 1.15%        | Quarterly            | 395               | 1,477             | 1,872         | 5,615              | 164,434             | -                    |
| BANK OF TOKYO MITSUBISHI LTD. | US\$     | 1.15%                   | 1.05%        | Quarterly            | 237               | 816               | 1,053         | 3,158              | 101,103             | -                    |
| BANCO SANTANDER S.A.          | US\$     | 1.27%                   | 1.15%        | Quarterly            | 263               | 890               | 1,153         | 3,458              | 101,210             | -                    |
| EDC                           | US\$     | 1.22%                   | 1.10%        | Quarterly            | 666               | 2,091             | 2,757         | 8,271              | 252,933             | -                    |
| BOND 144-A REG. 2012          | US\$     | 6.48%                   | 6.38%        | Semi annual          | 11,555            | 16,177            | 27,732        | 461,191            | -                   | -                    |
| BOND 144-A REG. 2013          | US\$     | 5.57%                   | 5.50%        | Semi annual          | 7,944             | 19,556            | 27,500        | 550,340            | -                   | -                    |
| BOND 144-A REG. 2014          | US\$     | 4.99%                   | 4.75%        | Semi annual          | 6,861             | 16,889            | 23,750        | 567,556            | -                   | -                    |
| BOND 144-A REG. 2035          | US\$     | 5.78%                   | 5.63%        | Semi annual          | 6,094             | 22,031            | 28,125        | 84,375             | 84,375              | 1,008,571            |
| BOND 144-A REG. 2036          | US\$     | 6.22%                   | 6.15%        | Semi annual          | 9,738             | 21,013            | 30,751        | 92,250             | 92,250              | 1,090,625            |
| BOND 144-A REG. 2019          | US\$     | 7.79%                   | 7.50%        | Semi annual          | 1,750             | 43,250            | 45,000        | 135,000            | 135,000             | 652,500              |
| BOND 144-A REG. 2020          | US\$     | 2.98%                   | 3.75%        | Semi annual          | 12,917            | 24,583            | 37,500        | 112,500            | 112,500             | 1,112,500            |
| Total ThUS\$                  |          |                         |              |                      | 59,845            | 373,749           | 433,594       | 2,631,832          | 1,119,651           | 3,862,483            |

|                   |      |       |       |             |         |         |         |           |           |           |
|-------------------|------|-------|-------|-------------|---------|---------|---------|-----------|-----------|-----------|
| BOND BCODE-A 2012 | U.F. | 3.24% | 4.00% | Semi annual | 43,899  | 233,357 | 277,256 | 7,191,769 | -         | -         |
| BOND BCODE-B 2025 | U.F. | 4.45% | 3.29% | Semi annual | 92,000  | 184,000 | 276,000 | 828,000   | 828,000   | 8,958,571 |
| Total U.F.        |      |       |       |             | 135,899 | 417,357 | 553,256 | 8,019,769 | 828,000   | 8,958,571 |
| SubTotal ThUS\$   |      |       |       |             | 6,230   | 19,133  | 25,363  | 367,660   | 37,959    | 410,619   |
| Total ThUS\$      |      |       |       |             | 66,075  | 392,882 | 458,957 | 2,999,492 | 1,157,610 | 4,273,100 |

Nominal and effective interest rates presented above correspond to annual rates.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

Payment commitments for financial leasing transactions are summarized in the following table:

| Financial Leasing          | 12/31/2011      |                   |                | 12/31/2010      |                   |                |
|----------------------------|-----------------|-------------------|----------------|-----------------|-------------------|----------------|
|                            | Gross<br>ThUS\$ | Interst<br>ThUS\$ | Net<br>ThUS\$  | Gross<br>ThUS\$ | Interst<br>ThUS\$ | Net<br>ThUS\$  |
| Less than one year         | 28,897          | (5,943)           | 22,954         | 36,810          | (19,443)          | 17,367         |
| Between one and five years | 85,842          | (29,918)          | 55,924         | 99,176          | (48,376)          | 50,800         |
| More than five years       | 97,476          | (47,305)          | 50,171         | 123,539         | (51,836)          | 71,703         |
| <b>Total</b>               | <b>212,215</b>  | <b>(83,166)</b>   | <b>129,049</b> | <b>259,525</b>  | <b>(119,655)</b>  | <b>139,870</b> |

Commitment to future payments for operating leases and lease payments recognized in the statements of comprehensive income are summarized in the following table:

|                                              | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|----------------------------------------------|----------------------|----------------------|
| <b>Futures payments for operating leases</b> |                      |                      |
| Less than one year                           | 160,208              | 137,142              |
| Between one and five years                   | 188,733              | 300,052              |
| More than five years                         | 118,033              | 104,020              |
| <b>Total</b>                                 | <b>466,974</b>       | <b>541,214</b>       |

|                                                          | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|----------------------------------------------------------|----------------------|----------------------|
| <b>Rental fees recognized in the Statement of Income</b> |                      |                      |
| Minimum payments for operating leases                    | 179,418              | 151,815              |

#### 14. Fair Value of financial assets and liabilities

As the book value of financial assets and liabilities is a reasonable approximation of their fair value, no incremental disclosures are required in accordance with IFRS 7.

#### 15. Fair value hierarchy

Each of the estimated market values for the Corporation's portfolio of financial instruments, is based on a calculation and data input methodology. Each of these methodologies has been analyzed to determine to which of the following levels they can be assigned:

- Level 1 corresponds to Fair Value measurement methodologies through market quotes (unadjusted) in active markets and considering the same valued Assets and Liabilities.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

- Level 2 corresponds to Fair Value measurement methodologies using market quote data, not included in Level 1, that are either directly (prices) or indirectly (derived from the prices) observable for the valued Assets and Liabilities.
- Level 3 corresponds to Fair Value measurement methodologies that use valuation techniques that include data on the valued Assets and Liabilities that are not supported by observable market data.

Based on the methodologies, inputs, and previous definitions the following market levels have been established for the financial instruments portfolio held by the Corporation at December 31, 2011:

| Financial Assets and liabilities at fair value<br>with an effect in profit and loss statement | 12/31/2011        |                   |                   |                 |
|-----------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                                                                               | Level 1<br>ThUS\$ | Level 2<br>ThUS\$ | Level 3<br>ThUS\$ | Total<br>ThUS\$ |
| <b>Financial Assets:</b>                                                                      |                   |                   |                   |                 |
| Provisionally priced sales contracts                                                          | -                 | (47,781)          | -                 | (47,781)        |
| Cross Currency Swap                                                                           | -                 | 106,754           | -                 | 106,754         |
| Mutual fund units                                                                             | 7,240             | -                 | -                 | 7,240           |
| Metals Futures                                                                                | 178,630           | -                 | -                 | 178,630         |
| <b>Financial Liabilities:</b>                                                                 |                   |                   |                   |                 |
| Metals Futures                                                                                | 722,025           | -                 | -                 | 722,025         |

No transfers between different levels of market values were observed for the reporting period.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### 16. Trade and other payables

Total trade and other payables, current and non-current, are detailed as follows:

| Items                 | Current Liabilities |                  |
|-----------------------|---------------------|------------------|
|                       | 12/31/2011          | 12/31/2010       |
|                       | ThUS\$              | ThUS\$           |
| Trade payables        | 1,475,980           | 1,292,895        |
| Dividends payables    | -                   | 173,134          |
| Payables to employees | 22,519              | 31,310           |
| Withholdings          | 88,723              | 86,033           |
| Tax withholdings      | 50,791              | 52,422           |
| Other payables        | 144,446             | 167,482          |
| <b>Total</b>          | <b>1,782,459</b>    | <b>1,803,276</b> |

#### 17. Other accrued expenses and provisions

Other short-term accrued expenses and provisions as of the indicated dates are detailed as follows:

| Other provisions                             | Current        |                | Non- Current     |                  |
|----------------------------------------------|----------------|----------------|------------------|------------------|
|                                              | 12/31/2011     | 12/31/2010     | 12/31/2011       | 12/31/2010       |
|                                              | ThUS\$         | ThUS\$         | ThUS\$           | ThUS\$           |
| Trade (1)                                    | 14,562         | 38,191         | -                | -                |
| Operating (2)                                | 43,810         | 22,835         | -                | -                |
| Law No. 13,196                               | 110,350        | 202,711        | -                | -                |
| Sundry (3)                                   | 41,792         | 32,976         | 25,992           | 48,466           |
| Closure, decommissioning and restoration (4) | -              | -              | 861,530          | 887,142          |
| Contingencies                                | -              | -              | 125,989          | 121,864          |
| <b>Total</b>                                 | <b>210,514</b> | <b>296,713</b> | <b>1,013,441</b> | <b>1,057,472</b> |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| Accrual for employee benefits               | Current              |                      | Non-current          |                      |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                             | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
| Employees' collective bargaining agreements | 209,525              | 203,301              | -                    | -                    |
| Employee termination benefit (Note 18)      | 48,867               | 37,283               | 692,206              | 809,177              |
| Bonus                                       | 3,715                | 4,524                | -                    | -                    |
| Vacation                                    | 128,994              | 150,000              | -                    | -                    |
| Medical care programs (5)                   | 521                  | 480                  | 336,862              | 304,876              |
| Retirement plans (6)                        | 62,003               | 282,414              | -                    | -                    |
| Other                                       | 5,626                | 11,073               | 63,898               | 77,059               |
| <b>Total</b>                                | <b>459,251</b>       | <b>689,075</b>       | <b>1,092,966</b>     | <b>1,191,112</b>     |

- (1) Corresponds to a sales-related accrual, which includes charges for freight, loading, and unloading that were not invoiced at the end of the period.
- (2) Corresponds to a provision for customs duties, freight on purchases, electricity, among others.
- (3) Includes an accrual for uncompleted invoices for product purchases, which lowers the current provision and accrued expenses balance.
- (4) Corresponds to a provision for future closure costs primarily related to tailing dams, mine closure and other assets. This cost value is calculated to an actual value discounted at 3% annual rate and its discount period varies between 24 and 87 years.  
The new Law of mine closure, published in Official Journal November 11, 2011, will have future impact on this provision as explained in note 29 "Contingencies and restrictions"
- (5) Corresponds to an accrual for contributions to medical care institutions agreed upon with current and former employees (Note 18)
- (6) Corresponds to an accrual for employees who have agreed to retire in accordance with plans in force for personnel retirement.

Movements of Other provisions were as follows:

| Movements                                 | 1/1/2011<br>12/31/2011               |                         |                            |
|-------------------------------------------|--------------------------------------|-------------------------|----------------------------|
|                                           | Provision for mine closure<br>ThUS\$ | Contingencies<br>ThUS\$ | Other provisions<br>ThUS\$ |
| <b>Opening balance</b>                    | <b>887,142</b>                       | <b>121,864</b>          | <b>48,466</b>              |
| Annual cost                               | 10,606                               | 9,994                   | 844                        |
| Adjustments to asset retirement provision | 59,651                               | -                       | -                          |
| Financial expenses                        | 28,278                               | -                       | -                          |
| Payment of liabilities                    | (34,502)                             | (5,382)                 | (1,597)                    |
| Foreign Exchange rate differences         | (91,870)                             | (487)                   | 243                        |
| Other variations                          | 2,225                                | -                       | (22,034)                   |
| <b>Final Balance</b>                      | <b>861,530</b>                       | <b>125,989</b>          | <b>25,922</b>              |



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### 18. Employee benefits

a) Provisions for post employment benefits and other long term benefits

Provision for post employment benefits corresponds to medical care plans and is intended to cover the payment obligations that the Corporation has contracted with its employees, according to contracts or collective bargaining agreements, to partially cover the costs of medical services.

Other long term benefits provision refers to employee termination benefit for years of service which is registered to reflect the termination liabilities to be paid to employees when they leave the Corporation based on the agreements in the employment contracts or collective bargaining agreements.

These accruals are recorded in the statement of financial position, at the present value of estimated future obligations. The discount rate applied is determined on the basis of the rates of financial instruments in the same currency in which the obligations are to be paid and with similar maturities.

The results from adjustments and changes in actuarial variables are charged or credited to the statements of comprehensive income in the period in which they occur.

Actuarial assumptions for calculating the employee termination benefit accrual are as follows:

| Actuarial assumptions       |                           |
|-----------------------------|---------------------------|
| Discount rate               | 6.35% to 20 years         |
| Turnover rate - resignation | 3.11% Men --- 0.25% Women |
| (Average) wage increase     | 0.9% - Annual             |
| Men's retirement age        | 65                        |
| Women's retirement age      | 60                        |

The Corporation has used the effective mortality schedules issued by the Superintendency of Securities and Insurance, last updated in 2009.

Reconciliation of post employment benefit and other long term benefits provision:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| Movements                                        | 1/1/2011<br>12/31/2011 |                | 1/1/2010<br>12/31/2010 |                |
|--------------------------------------------------|------------------------|----------------|------------------------|----------------|
|                                                  | Retirement Plan        | Health Plan    | Retirement Plan        | Health Plan    |
|                                                  | ThUS\$                 | ThUS\$         | ThUS\$                 | ThUS\$         |
| <b>Opening balance (Note 17)</b>                 | <b>846,460</b>         | <b>305,356</b> | <b>719,585</b>         | <b>213,227</b> |
| Cost                                             | 54,341                 | 59,743         | 43,187                 | 59,410         |
| Finance expense                                  | 33,226                 | 4,025          | 35,976                 | 15,729         |
| Indemnities paid                                 | (102,065)              | (12,189)       | (22,379)               | (5,981)        |
| <b>Subtotal</b>                                  | <b>831,962</b>         | <b>356,935</b> | <b>776,369</b>         | <b>282,385</b> |
| (Gains) Losses from foreign exchange differences | (90,889)               | (19,552)       | 70,091                 | 22,971         |
| <b>Total balance (Note 17)</b>                   | <b>741,073</b>         | <b>337,383</b> | <b>846,460</b>         | <b>305,356</b> |

#### b) Employee benefits expenses by nature of the benefits

| Expenses according to the nature of the Benefits | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|--------------------------------------------------|----------------------------------|----------------------------------|
| Current benefits                                 | 1,649,717                        | 1,536,423                        |
| Post-employment benefits                         | 59,743                           | 59,410                           |
| Employee termination benefits                    | 74,311                           | 288,246                          |
| Benefits for years of service                    | 54,341                           | 43,187                           |
| <b>Total</b>                                     | <b>1,838,112</b>                 | <b>1,927,266</b>                 |

## 19. Net equity

In accordance with article 6 of Decree Law 1,350 of 1976, it is established that, before March 30 of each year, the Board must approve the corporation's Business and Development Plan for the next three-year period. Taking that plan as a reference, and keeping in mind the corporation's balance sheet for the immediately previous year, and in order to ensure its competitiveness, before June 30 of each year the amounts that the corporation shall allocate to the formation of capitalization funds and reserves shall be determined by founded decree from the Ministries of Mining and Treasury.

Net income shown in the balance sheets, after deducting the amounts referred to in the previous paragraph, shall belong to the State and become part of the Nation's general income.

As of December 31, 2010, there is a dividends balance payable corresponding to net income for that period less advances delivered to the Government in the same period, which is recognized as a payment obligation in

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

trade and other accounts payable in current liabilities in the amount of ThUS\$ 173,134. As of December 31, 2011, no dividends payable were provisioned due to the Corporation's authorized net income withholding policy.

In the financial statement "Statement of Changes in Net Equity" the changes experienced in the Corporation's equity are disclosed.

Due to the bylaws that govern the Corporation, these financial statements do not consider disclosure of information related to earnings per share.

The movement and composition of other equity reserves is presented in the Consolidated Statement of Changes in Net Consolidated Equity.

#### a) Other reserves

Other equity reserves are listed in the table below, as of the dates indicated in each case.

| Other reserves                                      | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|-----------------------------------------------------|----------------------|----------------------|
| Foreign exchange differences on conversion reserves | 283                  | 2,916                |
| Cash flow hedge reserves                            | (272,349)            | (969,571)            |
| Capitalization fund and reserves                    | 1,456,476            | 1,078,326            |
| Other reserves                                      | 645,109              | 563,732              |
| <b>Total other reserves</b>                         | <b>1,829,519</b>     | <b>675,403</b>       |

#### b) Non-controlling equity interests

The details of non-controlling equity interests, included in liabilities and net income, are listed in the table below, as of the dates indicated in each case.

| Company                                              | Net Equity           |                      | Profit ( loss)                   |                                  |
|------------------------------------------------------|----------------------|----------------------|----------------------------------|----------------------------------|
|                                                      | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
| Asociación Garantizadora de Pensiones                | 21                   | 24                   | (1)                              | (2)                              |
| Biosigma S.A.                                        | 1,032                | 1,023                | (1,092)                          | (1,284)                          |
| Instituto de Innovación en Minería y Metalurgia S.A. | 4                    | 4                    | -                                | -                                |
| Clínica San Lorenzo Ltda.                            | -                    | 11                   | -                                | 3                                |
| Micomo S.A.                                          | 946                  | 914                  | 32                               | (53)                             |
| Fundación de Salud El Teniente                       | 17                   | 18                   | (1)                              | (2)                              |
| <b>TOTAL</b>                                         | <b>2,020</b>         | <b>1,994</b>         | <b>(1,062)</b>                   | <b>(1,338)</b>                   |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### 20. Operating income

The following table shows the sources of the Corporation's consolidated revenue.

| Item                                                 | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|------------------------------------------------------|----------------------------------|----------------------------------|
| Revenue from sales of the Corporation's copper       | 15,565,681                       | 14,501,055                       |
| Revenue from sales of copper bought to third parties | 1,346,056                        | 1,255,682                        |
| Revenue from sales of molybdenum                     | 777,843                          | 719,831                          |
| Revenue from sales of other products                 | 1,053,776                        | 631,447                          |
| Loss in futures market                               | (1,228,060)                      | (1,042,069)                      |
| <b>Total</b>                                         | <b>17,515,296</b>                | <b>16,065,946</b>                |

#### 21. Expenses by nature

The Corporation's consolidated expenses by nature are detailed as follows:

| Item               | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|--------------------|----------------------------------|----------------------------------|
| Personnel Expenses | 1,649,717                        | 1,536,423                        |
| Depreciation       | 1,020,118                        | 908,858                          |
| Amortization       | 465,239                          | 395,743                          |
| <b>Total</b>       | <b>3,135,074</b>                 | <b>2,841,024</b>                 |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### 22. Other revenues and expenses by function

Other revenues and expenses by function are detailed in the following tables:

##### a) Other income by function

| Item                                | 1/1/2011<br>12/31/2011 | 1/1/2010<br>12/31/2010 |
|-------------------------------------|------------------------|------------------------|
|                                     | ThUS\$                 | ThUS\$                 |
| Penalties to suppliers              | 21,189                 | 8,111                  |
| Realized income                     | -                      | 4,778                  |
| Outsourcing                         | 6,423                  | 6,295                  |
| Miscellaneous sales (net)           | 160,151                | 98,168                 |
| Sale of E-CL S.A.                   | 375,080                | -                      |
| Sale of Inca de Oro                 | 72,463                 | -                      |
| Compensation by insurance companies | 9,535                  | -                      |
| Other income                        | 81,344                 | 24,121                 |
| <b>Total</b>                        | <b>726,185</b>         | <b>141,473</b>         |

##### b) Other expenses by function

| Item                                       | 1/1/2011<br>12/31/2011 | 1/1/2010<br>12/31/2010 |
|--------------------------------------------|------------------------|------------------------|
|                                            | ThUS\$                 | ThUS\$                 |
| Law No. 13,196                             | (1,485,551)            | (1,310,733)            |
| Research expenses                          | (106,179)              | -                      |
| Bonus for the end of collective bargaining | (179,245)              | (208,083)              |
| Closure expense                            | (10,606)               | (14,810)               |
| Retirement plan                            | (74,311)               | (288,246)              |
| Penalty fixed assets                       | (63,697)               | -                      |
| Medical care plan                          | (59,743)               | (59,410)               |
| Actuarial results                          | (150,818)              | -                      |
| Ventanas Division Impairment               | (70,000)               | -                      |
| Other Expenses                             | (106,906)              | (177,585)              |
| <b>Total</b>                               | <b>(2,307,326)</b>     | <b>(2,058,867)</b>     |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### 23. Finance costs

Finance costs are detailed as follows:

| Item                                                  | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|-------------------------------------------------------|----------------------------------|----------------------------------|
| Bond interests                                        | (183,834)                        | (208,925)                        |
| Bank loan interests                                   | (9,009)                          | (11,756)                         |
| Exchange differences on severance indemnity provision | (33,226)                         | (35,976)                         |
| Exchange differences on other non-current provisions  | (37,803)                         | (56,139)                         |
| Other                                                 | (30,624)                         | (18,336)                         |
| <b>Total</b>                                          | <b>(294,496)</b>                 | <b>(331,132)</b>                 |

The capitalized interests under IAS 23 are disclosed in note 8, "Property, plant and equipment".

#### 24. Operating segments

In Section II, "Summary of Significant Accounting Policies" it has been indicated that, in conformity with IFRS No. 8, "Operating Segments", its operating segments are determined according to the Divisions that make up Codelco. The revenues and expenses of the Parent Corporation, are distributed among the defined segments.

Mining sites in operation, in which the Corporation carries out its extractive and processing production processes, are managed divided into its Chuquicamata, Radomiro Tomic, Salvador, Andina and El Teniente divisions. Additionally the division of Ventanas is added that is operating only as a smelter and refinery and mine Gabriela Mistral. Those operations are administered independently and are reporting directly to the Executive President. The details and operations related to each mine are the following:

##### **Chuquicamata**

Types of mine sites: open pit mines

Operating: since 1915

Location: Calama - Region II

Products: electrolytically refined and electrolytic (electro-obtained) copper cathodes and copper concentrate

##### **Radomiro Tomic**

Types of mine sites: open pit mines

Operating: since 1997.

Location: Calama - Region II

Products: electrolytically refined and electrolytic (electro-obtained) copper cathodes and copper concentrate

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **Salvador**

Type of mine: underground mine

Operating: since 1926

Location: Salvador - Region III

Products: electrorefined and electrolytic (electro-obtained) copper cathodes and copper concentrate

#### **Andina**

Type of mines: underground and open pit mines

Operating: since 1970

Location: Los Andes - Region V

Product: copper concentrate

#### **El Teniente**

Type of mine: underground mine

Operating: since 1905

Location: Rancagua - Region VI

Products: fire-refined copper and copper anodes

#### **Gabriela Mistral**

Type of mine: open pit mine

Operating: since 2008

Location: Calama - Region II

Products: electrolytic (electro-obtained) cathodes

#### **Mina Ministro Hales**

Type of mine: open pit mine

Operating: estimated date end of 2013

Location: Calama, Chile II Region

Products: electrolytic (electro-obtained) cathodes

#### a) Parent Corporation Distribution

Revenue and expenses controlled by the Parent Corporation are allotted to operating segments based on the criteria detailed as follows.

Main items are allocated according to the following criteria:

*Sales and Cost of Sales of Parent Corporation commercial transactions*

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

- Distribution to the operating segments made proportionally to the value of the products and sub-products invoiced by each Division.

#### *Other income, by function*

- Other income by function, associated and identified with each individual operating segment, is allotted directly.
- Recognition of realized profits and other income by function of subsidiaries is distributed in proportion to the operating income of each operating segment.
- The remaining other income is distributed in proportion to the addition of balances of “other income” and “finance income” of the respective operating segments.

#### *Distribution costs*

- Expenses associated and identified with each operating segment are allotted directly.
- Distribution costs of subsidiaries are allotted in proportion to the operating income of each operating segment.

#### *Administrative Expenses*

- Administrative expenses associated and identified with each segment are allotted directly.
- Administrative expenses are recorded in cost centers associated with the sales function. Administrative expenses of subsidiaries are distributed in proportion to the operating income of each segment.
- Administrative expenses recorded in cost centers associated with the supply function are allocated in relation to material account balances in each division warehouse
- The remaining administrative expenses are distributed in relation to operating cash expenses of each segment.

#### *Other Expenses, by function*

- Expenses associated and identified with each operating segment are allotted directly.
- Expenses for pre-investment studies and other expenses of subsidiaries by function are distributed in proportion to the operating income of each operating segment.

#### *Other Earnings*

- Other earnings associated and identified with each individual operating segment are allotted directly



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

- Other earnings of subsidiaries are distributed in proportion to the operating income of each operating segment.

#### *Finance Income*

- Finance income associated and identified with each operating segment is allotted directly.
- Finance income of subsidiaries is distributed in proportion to the operating income of each operating segment.
- The remaining finance income is distributed in relation to the operating cash expenses of each operating segment.

#### *Finance costs*

- Finance costs associated and identified with each operating segment in particular are allotted directly.
- Finance costs of subsidiaries are distributed in proportion to the operating income of each operating segment.

#### *Share in profit (losses) of Associates and joint ventures, which are accounted for using the equity method*

- The share in profit or losses of associates and joint ventures identified for each individual operating segment is allotted directly.

#### *Foreign currency conversion*

- Foreign currency conversion identifiable with each individual operating segment is allotted directly.
- Foreign currency conversion of subsidiaries is distributed in proportion to the operating income of each operating segment.
- The remaining foreign currency conversion is distributed in relation to operating cash expenses of each operating segment.

#### *Contribution to the Treasury of Chile Law No. 13,196*

- The amount of the contribution is distributed and accounted for in relation to values invoiced and accounted for in the copper and sub-product exports of each operating segment, subject to taxation.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### *Income tax income (expenses)*

- First category income tax (corporate), of D.L. 2,398 and specific mining tax are distributed based on the pre-tax income of each operating segment, considering for this purpose the income and expenses distribution criteria of the Parent Corporation and subsidiaries mentioned above.
- Other tax expenses are distributed in proportion to the first category income tax, specific mining tax and D.L. 2,398 allotted to each operating segment.

#### b) Transactions between segments

Transactions between segments are made up mainly by products processing services (or smelter), which are recognized as ordinary revenue for the segment where the smelter is present and as cost of sales for the segment that receives the service. Such recognition is performed in the period in which such services are provided, as well as elimination of both effects in consolidated financial statements.

#### c) Segments cash flows

The operating segments defined by the Corporation, maintain cash management which refers mainly to periodical operational activities that need to be covered with fixed funds constituted in each of these segments and whose amounts are not significant in Corporate balances on line Cash and cash equivalents.

For its part, obtainment of financing, relevant investment and payment of significant obligations is mainly based at the Head Office.

#### c) Impairment loss

Operating segment Division Ventanas presents in its statements of comprehensive income an impairment loss before taxes amounting to MUS\$ 70,000, which has been assigned to the assets of property, plant and equipment assigned to that division in its capacity as a cash-generating unit.

This deterioration was registered under the recovery of the recoverable amount of these assets, resulting in lower than their book value as at December 31, 2011.

The recoverable amount of assets in Division Ventanas is value in use, and the discount rate used to calculate this value is 8%.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

Financial information organized by operating segment is detailed as follows:

| Segments                                                                                   | From 1/1/2011<br>to 12/31/2011 |                    |                  |                  |                    |                  |                  |                |
|--------------------------------------------------------------------------------------------|--------------------------------|--------------------|------------------|------------------|--------------------|------------------|------------------|----------------|
|                                                                                            | Chuquicamata                   | R. Tomic           | Salvador         | Andina           | El Teniente        | Ventanas         | G. Mistral       | M. Hales       |
|                                                                                            | ThUS\$                         | ThUS\$             | ThUS\$           | ThUS\$           | ThUS\$             | ThUS\$           | ThUS\$           | ThUS\$         |
| Revenue from sales of the Corporation's copper                                             | 4,055,772                      | 3,637,504          | 1,037,086        | 1,888,662        | 3,414,537          | 527,582          | 996,341          | -              |
| Revenue from sales of copper bought from third parties                                     | -                              | -                  | -                | -                | -                  | 33,994           | -                | -              |
| Revenue from sales of molybdenum                                                           | 432,275                        | 29,290             | 31,257           | 98,922           | 185,757            | -                | -                | -              |
| Revenue from sales of other products                                                       | 469,878                        | -                  | 166,836          | 5,791            | 209,570            | 368,715          | -                | -              |
| Revenue from futures market                                                                | (329,285)                      | (291,592)          | (86,912)         | (166,856)        | (275,177)          | -                | (76,788)         | -              |
| Revenue between segments                                                                   | -                              | -                  | -                | -                | -                  | -                | -                | -              |
| <b>Revenue from regular activities</b>                                                     | <b>4,628,640</b>               | <b>3,375,202</b>   | <b>1,148,267</b> | <b>1,826,519</b> | <b>3,534,687</b>   | <b>930,291</b>   | <b>919,553</b>   | -              |
| Cost of sales of the Corporation's copper                                                  | (2,741,733)                    | (1,221,534)        | (832,069)        | (910,569)        | (1,364,186)        | (543,608)        | (521,828)        | -              |
| Cost of sales of copper bought from third parties                                          | -                              | -                  | -                | -                | -                  | (34,497)         | -                | -              |
| Cost of sales of molybdenum                                                                | (82,312)                       | (11,519)           | (11,398)         | (22,040)         | (37,352)           | -                | -                | -              |
| Cost of sales of other products                                                            | (348,465)                      | -                  | (128,342)        | (3,970)          | (144,389)          | (393,023)        | -                | -              |
| Cost of sales between segments                                                             | 22,086                         | 97,953             | 2,393            | 11,950           | 39,067             | 4,052            | -                | -              |
| <b>Cost of sales</b>                                                                       | <b>(3,150,424)</b>             | <b>(1,135,100)</b> | <b>(969,416)</b> | <b>(924,629)</b> | <b>(1,506,860)</b> | <b>(967,076)</b> | <b>(521,828)</b> | -              |
| <b>Gross Profit</b>                                                                        | <b>1,478,216</b>               | <b>2,240,102</b>   | <b>178,851</b>   | <b>901,890</b>   | <b>2,027,827</b>   | <b>(36,785)</b>  | <b>397,725</b>   | -              |
| Other revenue per function                                                                 | 79,070                         | 9,630              | 10,167           | 17,678           | 65,974             | 3,241            | -                | 5              |
| Distribution costs                                                                         | (194)                          | (43)               | (16)             | (109)            | (152)              | -                | -                | -              |
| Administrative expenses                                                                    | (63,424)                       | (17,651)           | (25,474)         | (26,895)         | (71,166)           | (13,723)         | (21,474)         | (367)          |
| Other expenses per function                                                                | (191,107)                      | (66,666)           | (16,141)         | (35,682)         | (323,427)          | (83,297)         | (1)              | (235)          |
| Other gains (losses)                                                                       | -                              | -                  | -                | -                | -                  | -                | -                | -              |
| Finance income                                                                             | 5,390                          | 1,627              | 1,468            | 1,042            | 5,850              | 778              | 194              | 3              |
| Finance costs                                                                              | (87,383)                       | (12,178)           | (9,011)          | (70,477)         | (58,773)           | (3,161)          | (45,028)         | -              |
| Share in the profit (loss) of associates and joint ventures accounted by the equity method | 286                            | -                  | (206)            | (808)            | -                  | -                | (22,044)         | -              |
| Exchange differences, net                                                                  | 70,294                         | 28,586             | 28,568           | 35,881           | 63,383             | 12,425           | 7,977            | (3,623)        |
| <b>Profit (loss) before taxes</b>                                                          | <b>1,291,148</b>               | <b>2,183,407</b>   | <b>168,206</b>   | <b>822,520</b>   | <b>1,709,516</b>   | <b>(120,522)</b> | <b>317,349</b>   | <b>(4,217)</b> |
| Income tax expenses                                                                        | (645,906)                      | (1,226,886)        | (54,448)         | (448,913)        | (967,274)          | 114,446          | (145,852)        | 2,801          |
| <b>Profit (loss)</b>                                                                       | <b>645,242</b>                 | <b>956,521</b>     | <b>113,758</b>   | <b>373,607</b>   | <b>742,242</b>     | <b>(6,076)</b>   | <b>171,497</b>   | <b>(1,416)</b> |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

| Segments                                                                                   | From 1/1/2010<br>to 12/31/2010 |                  |                  |                  |                    |                    |                  |              |            |
|--------------------------------------------------------------------------------------------|--------------------------------|------------------|------------------|------------------|--------------------|--------------------|------------------|--------------|------------|
|                                                                                            | Chuquicamata                   | R. Tomic         | Salvador         | Andina           | El Teniente        | Ventanas           | G. Mistral       | M. Hales     | T. Hales   |
|                                                                                            | ThUS\$                         | ThUS\$           | ThUS\$           | ThUS\$           | ThUS\$             | ThUS\$             | ThUS\$           | ThUS\$       | ThUS\$     |
| Revenue from sales of the Corporation's copper                                             | 5,094,736                      | 2,373,076        | 1,088,075        | 1,341,566        | 3,159,811          | 621,224            | 919,008          | -            | -          |
| Revenue from sales of copper bought from third parties                                     | -                              | -                | -                | -                | -                  | 153,129            | -                | -            | -          |
| Revenue from sales of molybdenum                                                           | 381,074                        | -                | 44,032           | 98,916           | 195,809            | -                  | -                | -            | -          |
| Revenue from sales of other products                                                       | 210,421                        | -                | 110,140          | 17,768           | 91,835             | 286,256            | -                | -            | -          |
| Revenue from futures market                                                                | (401,061)                      | (168,938)        | (78,597)         | (96,208)         | (231,889)          | -                  | (64,582)         | -            | -          |
| Revenue between segments                                                                   | -                              | -                | -                | -                | -                  | -                  | -                | -            | -          |
| <b>Revenue from regular activities</b>                                                     | <b>5,285,170</b>               | <b>2,204,138</b> | <b>1,163,650</b> | <b>1,362,042</b> | <b>3,215,566</b>   | <b>1,060,609</b>   | <b>854,426</b>   | -            | -          |
| Cost of sales of the Corporation's copper                                                  | (2,899,503)                    | (744,202)        | (784,451)        | (598,133)        | (1,184,452)        | (635,176)          | (400,401)        | -            | -          |
| Cost of sales of copper bought from third parties                                          | -                              | -                | -                | -                | (329)              | (160,077)          | -                | -            | -          |
| Cost of sales of molybdenum                                                                | (74,460)                       | -                | (13,993)         | (17,891)         | (34,721)           | -                  | -                | -            | -          |
| Cost of sales of other products                                                            | (95,586)                       | -                | (104,310)        | 20,790           | (97,220)           | (309,157)          | -                | -            | -          |
| Cost of sales between segments                                                             | (13,570)                       | (5,659)          | (2,988)          | (3,497)          | (8,256)            | (2,723)            | (2,194)          | -            | -          |
| Other cost of sales                                                                        | -                              | -                | -                | -                | -                  | -                  | -                | -            | -          |
| <b>Cost of sales</b>                                                                       | <b>(3,083,119)</b>             | <b>(749,861)</b> | <b>(905,742)</b> | <b>(598,731)</b> | <b>(1,324,978)</b> | <b>(1,107,133)</b> | <b>(402,595)</b> | -            | -          |
| <b>Gross Profit</b>                                                                        | <b>2,202,051</b>               | <b>1,454,277</b> | <b>257,908</b>   | <b>763,311</b>   | <b>1,890,588</b>   | <b>(46,524)</b>    | <b>451,831</b>   | -            | -          |
| Other revenue per function                                                                 | 27,110                         | 11,536           | 10,839           | 27,601           | 54,161             | 3,757              | 196              | -            | -          |
| Distribution costs                                                                         | (3,081)                        | (1,295)          | (3,832)          | (866)            | (2,241)            | (622)              | (485)            | -            | -          |
| Administrative expenses                                                                    | (116,492)                      | (33,189)         | (30,926)         | (33,644)         | (95,651)           | (19,560)           | (24,157)         | (210)        | -          |
| Other expenses per function                                                                | (906,468)                      | (250,084)        | (156,173)        | (154,340)        | (424,539)          | (81,402)           | (83,459)         | -            | -          |
| Other gains (losses)                                                                       | -                              | -                | -                | -                | -                  | -                  | -                | -            | -          |
| Finance income                                                                             | 14,536                         | 3,705            | 2,735            | 4,248            | 7,885              | 1,054              | 1,564            | -            | -          |
| Finance costs                                                                              | (107,456)                      | (11,630)         | (6,092)          | (61,745)         | (88,041)           | (15,309)           | (36,162)         | (2)          | -          |
| Share in the profit (loss) of associates and joint ventures accounted by the equity method | 114,589                        | 43,491           | 22,832           | 27,203           | 63,448             | 20,928             | 2,080            | -            | -          |
| Exchange differences, net                                                                  | (56,628)                       | (9,410)          | (15,220)         | (24,192)         | (82,960)           | (8,618)            | (4,747)          | -            | -          |
| <b>Profit (loss) before taxes</b>                                                          | <b>1,168,161</b>               | <b>1,207,401</b> | <b>82,071</b>    | <b>547,576</b>   | <b>1,322,650</b>   | <b>(146,296)</b>   | <b>306,661</b>   | <b>(212)</b> | -          |
| <b>Income tax expenses</b>                                                                 | <b>(676,240)</b>               | <b>(711,367)</b> | <b>(37,259)</b>  | <b>(322,324)</b> | <b>(781,162)</b>   | <b>96,183</b>      | <b>(178,313)</b> | -            | <b>129</b> |
| <b>Profit (loss)</b>                                                                       | <b>491,921</b>                 | <b>496,034</b>   | <b>44,812</b>    | <b>225,252</b>   | <b>541,488</b>     | <b>(50,113)</b>    | <b>128,348</b>   | <b>(83)</b>  | -          |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

The assets and liabilities related to each operating segment, including the Corporation's corporate center (Parent Corporation) as of December 30, 2011 and 2010 are detailed in the following tables:

| 12/31/2011              |              |                |          |           |             |          |            |          |                                         |                    |
|-------------------------|--------------|----------------|----------|-----------|-------------|----------|------------|----------|-----------------------------------------|--------------------|
| Balance Sheet Item      | Chuquicamata | Radomiro Tomic | Salvador | Andina    | El Teniente | Ventanas | G. Mistral | M. Hales | Subsidiaries, associates and Parent net | Consolidated Total |
|                         | ThUS\$       | ThUS\$         | ThUS\$   | ThUS\$    | ThUS\$      | ThUS\$   | ThUS\$     | ThUS\$   | ThUS\$                                  | ThUS\$             |
| Current Assets          | 1,234,261    | 714,252        | 337,625  | 298,668   | 796,300     | 251,296  | 220,463    | 93,490   | 1,960,565                               | 5,906,920          |
| Non-current assets      | 2,821,238    | 1,300,334      | 561,810  | 3,251,603 | 2,987,947   | 219,644  | 1,023,682  | 954,785  | 1,806,981                               | 14,928,024         |
| Current Liabilities     | 629,056      | 181,284        | 144,564  | 232,512   | 425,734     | 106,737  | 463        | 127,904  | 2,567,828                               | 4,416,082          |
| Non-current liabilities | 942,489      | 198,249        | 207,897  | 155,702   | 617,029     | 30,059   | 206        | -        | 8,202,111                               | 10,353,742         |

| 12/31/2010              |              |                |          |           |             |          |            |          |                                         |                    |
|-------------------------|--------------|----------------|----------|-----------|-------------|----------|------------|----------|-----------------------------------------|--------------------|
| Balance Sheet Item      | Chuquicamata | Radomiro Tomic | Salvador | Andina    | El Teniente | Ventanas | G. Mistral | M. Hales | Subsidiaries, associates and Parent net | Consolidated Total |
|                         | ThUS\$       | ThUS\$         | ThUS\$   | ThUS\$    | ThUS\$      | ThUS\$   | ThUS\$     | ThUS\$   | ThUS\$                                  | ThUS\$             |
| Current Assets          | 1,697,367    | 524,568        | 489,662  | 467,567   | 795,830     | 310,335  | 251,597    | 4,318    | 2,082,641                               | 6,623,885          |
| Non-current assets      | 3,118,643    | 1,233,388      | 428,352  | 3,042,902 | 2,771,088   | 278,212  | 916,073    | 131,803  | 1,734,695                               | 13,655,156         |
| Current Liabilities     | 696,405      | 93,134         | 113,621  | 285,423   | 459,953     | 138,851  | 541        | 42,692   | 3,413,207                               | 5,243,827          |
| Non-current liabilities | 827,355      | 118,390        | 164,582  | 174,766   | 597,336     | 35,300   | 11,552     | 93,641   | 8,481,080                               | 10,504,002         |

Revenue classified by geographical area is detailed as follows:

| Revenue per geographical areas       | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|--------------------------------------|----------------------------------|----------------------------------|
| Total revenue from local customers   | 1,169,288                        | 1,211,955                        |
| Total revenue from foreign customers | 16,346,008                       | 14,853,991                       |
| <b>Total</b>                         | <b>17,515,296</b>                | <b>16,065,946</b>                |

| Revenue per geographical areas | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|--------------------------------|----------------------------------|----------------------------------|
| China                          | 5,163,802                        | 5,475,831                        |
| Rest of Asia                   | 3,670,452                        | 2,652,353                        |
| Europe                         | 3,699,763                        | 3,015,019                        |
| Other                          | 4,981,279                        | 4,922,743                        |
| <b>Total</b>                   | <b>17,515,296</b>                | <b>16,065,946</b>                |

Sales are allocated to different geographical areas depending on the residence of the clients that have signed sales contracts with Codelco.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

Non-current assets other than financial instruments, deferred tax assets, Post-employment benefit assets, and rights arising under insurance contracts, are located mainly in Chile, with exceptions if not being significant, located in foreign subsidiaries, and that do not exceed more than 1% of such assets.

#### 25. Foreign exchange differences, net

According to Decree Law 1,350, the Corporation maintains its accounting records in United States dollars (US\$), recording transactions in currencies other than U.S. dollars at the exchange rate current at the date of each transaction and subsequently updating them, when necessary, according to the exchange rate as of closing reporting for each of the financial statements.

The following table summarizes the foreign exchange differences in Codelco Chile and subsidiaries' consolidated statements of income:

| Gain (Loss) from foreign exchange<br>differences recognized in income | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|-----------------------------------------------------------------------|----------------------------------|----------------------------------|
| Gain from foreign exchange differences                                | 364,354                          | 84,996                           |
| Loss from foreign exchange differences                                | (147,356)                        | (287,520)                        |
| <b>Total foreign exchange differences, net</b>                        | <b>216,998</b>                   | <b>(202,524)</b>                 |

#### 26. Statement of cash flows

The following table shows the items that comprise other collections and payments from operating activities in the Statement of Cash Flows:

| Other collections from operating activities | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|---------------------------------------------|----------------------------------|----------------------------------|
| VAT Refund                                  | 1,343,162                        | 1,242,491                        |
| Other                                       | 500,631                          | 524,660                          |
| <b>Total</b>                                | <b>1,843,793</b>                 | <b>1,767,151</b>                 |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| Other payments for operating activities                | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|--------------------------------------------------------|----------------------------------|----------------------------------|
| Contribution to the Chilean Treasury ( Law No. 13,196) | (1,576,057)                      | (1,270,940)                      |
| Finance hedges and sales                               | (1,223,076)                      | (986,624)                        |
| VAT and other similar taxes paid                       | (1,391,936)                      | (1,267,851)                      |
| <b>Total</b>                                           | <b>(4,191,069)</b>               | <b>(3,525,415)</b>               |

| Other collections from investing activities | 1/1/2011<br>12/31/2011<br>ThUS\$ | 1/1/2010<br>12/31/2010<br>ThUS\$ |
|---------------------------------------------|----------------------------------|----------------------------------|
| Sale of ECL-S.A.                            | 1,055,351                        | -                                |
| Sale of Inca de Oro S.A.                    | 33,000                           | -                                |
| <b>Total</b>                                | <b>1,088,351</b>                 | <b>-</b>                         |

On February, 15, 2011 the association of Codelco with Minera PanAust IDO Ltda. was approved in relation to the mine site Inca de Oro. Additionally, Codelco became the holder of an equity interest of 34%, down from 100%, ceding control of Inca de Oro S.A. to PanAust IDO Ltda.

| Loss of control over subsidiaries                                                 | 1/1/2011<br>12/31/2011<br>ThUS\$ |
|-----------------------------------------------------------------------------------|----------------------------------|
| Total consideration received                                                      | 33,000                           |
| Consideration consisting of cash and cash equivalents                             | 33,000                           |
| Cash and cash equivalents loss in the subsidiaries                                | 575                              |
| Assets and liabilities other than cash or cash equivalents in the subsidiaries(*) |                                  |
| <i>Current Assets</i>                                                             | 489                              |
| <i>Non- current Assets</i>                                                        | 2,665                            |
| <i>Current Liabilities</i>                                                        | 18                               |
| <i>Non- current Liabilities</i>                                                   | -                                |

(\*) Statement of Financial Position as of January 1, 2011

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **27. Financial risk management, objectives and policies**

Codelco has created committees within its organization to generate strategies with which to minimize the financial risks to which it may be exposed.

As December 31, 2011, the Market Risk Management Committee and the Vice-presidency of Management and Finance are responsible for this.

The Market Risk Management Committee is also responsible for analyzing and proposing financial hedging operations to the Corporation's Board of Directors, to issue standards and to control the execution of the authorizations given by the Board.

The risks to which Codelco is exposed are detailed as follows, along with a brief description of the management procedures that are carried out in each case.

##### **a. Financial risks**

###### **- Exchange rate risk:**

According to IFRS 7, exchange rate risk is understood to be the risk that arises from financial instruments that are denominated in foreign currencies, that is, a currency other than the Corporation's functional currency (U.S. dollar).

Codelco's activities that generate this exposure correspond to funding in UF, accounts payable and receivable in Chilean pesos, other foreign currencies used in its business operations and obligations with employees.

The majority of transactions in currencies other than US\$ are denominated in Chilean pesos.

Taking the assets and financial liabilities as of December 31, 2011 as the base, a fluctuation (positive or negative) of 10 Chilean pesos against the U.S. dollar (keeping the other variables constant), could affect profits by + / - US\$24 million. This result is obtained by identifying the principle areas affected by exchange rate, including assets and financial liabilities, in order to measure the impact on income that a variation of +/- 10 Chilean pesos would have to US\$, with respect to the real exchange rate as of the date of this financial statement.

###### **- Interest rate risk:**

This risk is generated by interest rate fluctuations in Codelco's investment and financing activities. This movement can affect future cash flows or the market value of fixed rate financial instruments.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

These rate variations refer to U.S. dollar variations, mostly with respect to the LIBOR rate. To manage this risk, Codelco maintains an adequate combination of fixed and variable rate debt, which is complemented by the possibility of using interest-rate derivatives to meet the strategic guidelines defined by Codelco's Corporate Finance Department.

It is estimated that, on the basis of net debt as of December 31, 2011, a 1% change in interest rates on the financial liabilities subject to variable interest rates would mean approximately a US\$15 million change in finance costs. This estimation is made by identifying the liabilities assigned to variable interest, accrued at the end of the financial statements, which may vary with a change of one percentage point in variable interest rates.

Total fixed and variable interest rate obligations maintained by Codelco as of December 31, 2011, amount to ThUS\$ 5,811,353 y ThUS\$ 1,184,157 respectively.

b. Market risks

- Commodity price risk:

As a result of its commercial operations and activities, the Corporation's income is mainly exposed to the volatility of copper prices and certain sub-products such as gold and silver.

Copper and molybdenum concentrate sale agreements and copper cathode sale agreements generally provide for provisional pricing of sales at the time of shipment, with final pricing based on the monthly average market price for specified future periods. The host contract is the sale of metals contained in the concentrate or cathode at the provisional invoice price, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At the reporting date, the provisionally priced metal sales are marked-to-market, with adjustments (both gains and losses) being recorded in revenues in the consolidated statements of comprehensive income. Forward prices at the period end are used for copper sales, while period-end average prices are used for molybdenum concentrate sales due to the absence of assets futures market.

As of December 31, 2011, if the future price of copper were to vary by + / - 5% (with the other variables constant), net income would vary by + / - US\$151 million as a result of the mark to market adjustment of sales revenue at provisional prices current at December 31, 2011 (ThTMF 393). For the indicated estimate, all physical sales contracts were identified that will be valued according to the average of the month immediately prior to the closing date of the financial statements, after which the definitive liquidation price will be estimated if there is a difference of +/- 5% with respect to the known future price on that date for the given period.

In order to protect its cash flows and, if necessary, adjust its sales contracts to its commercial policy, the Corporation performs transactions in the copper futures market. At the reporting date, the

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

contracts are adjusted to their fair value, registering that effect, at the maturity of the hedge operations, being recorded in revenues of product sales.

Forward prices at the period-end are used for copper sales, while period-end average prices are used for molybdenum concentrate sales due to the absence of assets future market.

As of December 31, 2011, a one cent (US\$ 0.01) variation in the price per pound of copper, because of the effect on derivative instrument contracts entered into by the Corporation, would result in a variation in revenue or payments for existing contracts (exposure) of US\$3.00 million, before taxes.

This calculation is obtained from a simulation of the change of future copper prices, which are used to value all derivative instruments entered into by the Corporation. Estimates will vary if there is an increase / decrease of U.S. ¢ 1 in the price of the pound of copper.

No hedging contracts have been entered into for the specific purpose of mitigating the price risk caused by fluctuations in the price of production supplies.

The Corporation has signed physical commodity contracts also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are measured at cost.

#### c. Liquidity risk

The Corporation ensures that it has sufficient resources, such as pre-approved credit lines (including refinancing), in order to meet short-term requirements, after considering the necessary working capital for its operations and any other commitments it has.

In this sense, Codelco Chile maintains resources at its disposal sufficient to meet its obligations, whether in cash, liquid financial instruments or credit facilities. .

In addition, the Finance Department constantly monitors the Corporation's cash flow projections based on short and long term projections and available financing alternatives. In addition, the Corporation estimates that it has enough room to increase the level of borrowing for the normal requirements of its operations and investments established in its development plan.

In this context, according to current existing commitments with creditors, the cash requirements to cover financial liabilities classified by maturity and presented in the statement of financial position are detailed as follows:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| <b>Maturities of financial liabilities at<br/>December 31, 2011</b> | <b>Less than<br/>a year<br/>ThUS\$</b> | <b>Between one<br/>and five<br/>years<br/>ThUS\$</b> | <b>More than<br/>five years<br/>ThUS\$</b> |
|---------------------------------------------------------------------|----------------------------------------|------------------------------------------------------|--------------------------------------------|
| Loans from financial institutions                                   | 41,276                                 | 1,196,645                                            | -                                          |
| Bonds                                                               | 802,954                                | 996,310                                              | 4,012,089                                  |
| Finance leases                                                      | 22,954                                 | 55,924                                               | 50,171                                     |
| Derivatives                                                         | 770,666                                | 25                                                   | -                                          |
| Other financial liabilities                                         | 5,574                                  | 83,990                                               | -                                          |
| <b>Total</b>                                                        | <b>1,643,424</b>                       | <b>2,332,894</b>                                     | <b>4,062,260</b>                           |

d. Credit risk

This risk comprises the possibility that a third party does not fulfill its contractual obligations, thereby causing a loss for the Corporation.

Given the Corporation's sales policy, principally with cash and advance payments and bank letters of credit, the uncollectibility of client debt balances is minimal. This is complemented by the familiarity the Corporation has with its clients and the length of time it has operated with them. Therefore, the credit risk of these transactions is not significant.

In general, the Corporation's other accounts receivable have a high credit quality according to the Corporation's evaluations, based on each debtor's solvency analysis and payment history.

The Corporation's accounts receivable do not include customers with balances that could be classified as a significant concentration of debt and would represent a material exposure for Codelco. This exposure is distributed among a large number of clients and other counterparties.

The client items include allowances, which are not significant, designed to cover possible insolvencies. These provisions are determined based on review of the debt balances and the clients' characteristics, such as historical behavior and existing risk ratings.

Explanatory note 2 in "Trade and other receivables" presents overdue balances that have not been impaired.

The Corporation estimates that unimpaired amounts overdue over 30 days are recoverable, based on clients' historical payment behavior and their existing credit ratings.

As of December 31, 2011 and 2010, there are no receivable balances that have been renegotiated.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

Codelco works with major banks, which have high national and international ratings, and continually assesses them; therefore, the risk that could affect the availability of the Corporation's funds and financial instruments is not significant.

Also, in some cases, to minimize credit risk, the Corporation has contracted credit insurance policies through which it transfers to third parties the commercial risk associated with some aspects of its business.

During the first quarter of 2011 and 2010, no assets have been obtained as a result of the execution of guarantees contracted to insure the collection of third party debt.

Personnel loans are mainly generated by mortgage loans, according to programs included in collective agreements, which are guaranteed by housing mortgages which are paid for through payroll discounts.

#### 28. Derivatives contracts

As stated in the Board of Directors' policy, ratified on March 27, 2009, the Corporation has operations to hedge cash flows, to minimize the risk of foreign exchange rate variations and sales price variations, detailed as follows:

##### a. Exchange rate hedges

The Corporation maintains operations to protect against exchange rate variations. The negative exposure net of deferred tax amounts to ThUS \$46,840, and are scheduled to expire in September 2012 and April 2025.

The following table summarizes the exposure of the financial hedges contracted by the Corporation as at 31 of December 2011:

| Hedge Item   | Bank                                   | Type of derivative Contract | Maturity | Currency | Amount of the hedge item<br>ThUS\$ | Swap value<br>ThUS\$ | Exposure<br>ThUS\$ |
|--------------|----------------------------------------|-----------------------------|----------|----------|------------------------------------|----------------------|--------------------|
| Bond UF 2012 | Bco. Chile (Chile) - JP Morgan (EE.UU) | Swap                        | 9/1/2012 | US\$     | 300,574                            | 164,482              | 14,213             |
| Bond UF 2025 | Credit Suisse (EE.UU)                  | Swap                        | 4/1/2025 | US\$     | 296,280                            | 208,519              | 92,541             |
| <b>Total</b> |                                        |                             |          |          | <b>596,854</b>                     | <b>373,001</b>       | <b>106,754</b>     |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

The current methodology for valuing the currency swap, using the bootstrapping technique from the Mid and Mid Swap rates for Libor build curves (zero) in UF and USD respectively, from market information.

#### **b. Cash flows and commercial policy adjustment hedging contracts**

The Corporation performs transactions in the futures market, recording their results at maturity. These results are added to or subtracted from sales revenue. This addition or subtraction is made because sales revenue incorporates the positive or negative effect of market prices. At December 31, 2011, these operations generated lower net income of ThUS\$ 1,221,801 (plus an effect of higher net income equivalent to ThUS\$1,450 in subsidiaries), which is detailed below:

##### **b.1. Commercial operations of current copper contracts**

The purpose of these contracts is to adjust the price of shipments to the price defined in the Corporation's related policy, defined in accordance with the London Metal Exchange (LME). As of December 31, 2011, the Corporation performed futures market transactions that represent 400,465 metric tons of fine copper. These hedging operations are part of the Corporation's commercial policy.

The current contracts as of December 31, 2011 present a ThUS\$178,474 positive exposure, and their final result will only be known at their maturity, offsetting the hedging transactions with revenue from the sale of the hedged products.

The transactions completed between January 1 and December 31, 2011 generated a net positive effect on net income of ThUS \$8,295, which is deducted from the amounts paid for purchase contracts and added to the values received for sales contracts of the products affected by these pricing transactions.

##### **b.2. Commercial Transactions of Current Gold and Silver Contracts**

As of December 31, 2011 the Corporation maintains contracts for pricing the sale of gold for ThTOZ 3 and silver for ThTOZ 422.

The positive exposure at that date is ThUS\$131.

The transactions completed between January 1 and December 31, 2011 generated a negative effect on net income of ThUS\$231, which is subtracted from the amounts received for the sales contracts of the products affected by these pricing transactions. These hedging transactions mature in January 2012.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### **b.3. Cash flow hedging operations backed by future production**

Also, to hedge future cash flows by ensuring the sale price of part of its production, copper futures transactions have been entered into for 150,000 tons of fine copper (TMF). The copper futures sales contracts mature in January 2013.

The current futures contracts as of December 31, 2011 present a ThUS\$ 722,000 negative exposure, and their final result will only be known at their maturity, offsetting their effects with the sale of the hedged products.

The futures transactions completed between January 1 and December 31, 2011, related to production sold, generated a lower income of ThUS\$ 1,213,275, which is the result of offsetting the hedging transaction and sales revenue from the sale of the products affected by this pricing. These results are presented by reducing net operating income.

The following table summarizes the exposure of the metal hedges contracted by the Corporation, indicated on previous letter b:

| 12/31/2011                  | Maturity Date |          |      |      |      |           |           |
|-----------------------------|---------------|----------|------|------|------|-----------|-----------|
| ThUS\$                      | 2012          | 2013     | 2014 | 2015 | 2016 | Following | Total     |
| Flex Com Copper (Asset)     | 176,973       | 1,554    | -    | -    | -    | -         | 178,527   |
| Flex Com Copper (Liability) | -             | (52)     | -    | -    | -    | -         | (52)      |
| Flex Com Gold/Silver        | 131           | -        | -    | -    | -    | -         | 131       |
| Copper Pricing              | (661,714)     | (60,287) | -    | -    | -    | -         | (722,001) |
| Metal Options               | -             | -        | -    | -    | -    | -         | -         |
| Total                       | (484,610)     | (58,785) | -    | -    | -    | -         | (543,395) |

| 12/31/2010                  | Maturity Date |           |          |      |      |           |             |
|-----------------------------|---------------|-----------|----------|------|------|-----------|-------------|
| ThUS\$                      | 2011          | 2012      | 2013     | 2014 | 2015 | Following | Total       |
| Flex Com Copper (Asset)     | 186,631       | 116       | -        | -    | -    | -         | 186,747     |
| Flex Com Copper (Liability) | (26,830)      | (5,970)   | -        | -    | -    | -         | (32,800)    |
| Flex Com Gold/Silver        | 211           | 33        | -        | -    | -    | -         | 244         |
| Copper Pricing              | (1,339,596)   | (991,649) | (77,162) | -    | -    | -         | (2,408,407) |
| Metal Options               | -             | -         | -        | -    | -    | -         | -           |
| Total                       | (1,179,584)   | (997,470) | (77,162) | -    | -    | -         | (2,254,216) |

| 12/31/2011                | Maturity Date |      |      |      |      |           |       |
|---------------------------|---------------|------|------|------|------|-----------|-------|
| Th TM/Onzas               | 2012          | 2013 | 2014 | 2015 | 2016 | Following | Total |
| Copper Futures [TM]       | 352.0         | 47.9 | 0.5  | -    | 0.5  | -         | 400.9 |
| Gold/Silver futures [MOZ] | 424.2         | -    | -    | -    | -    | -         | 424.2 |
| Copper pricing [TM]       | 137.5         | 12.5 | -    | -    | -    | -         | 150.0 |
| Copper options [TM]       | -             | -    | -    | -    | -    | -         | -     |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| 12/31/2010                | Maturity Date |       |      |      |      |           |       |
|---------------------------|---------------|-------|------|------|------|-----------|-------|
| Th TM/Onzas               | 2011          | 2012  | 2013 | 2014 | 2015 | Following | Total |
| Copper Futures [TM]       | 393.7         | 54.2  | -    | 0.5  | -    | 0.5       | 448.9 |
| Gold/Silver futures [MOZ] | 916.6         | 80.4  | -    | -    | -    | -         | 997.0 |
| Copper pricing [TM]       | 198.7         | 154.3 | 12.5 | -    | -    | -         | 365.5 |
| Copper options [TM]       | -             | -     | -    | -    | -    | -         | -     |

## 29. Contingencies and restrictions

### a) Litigations and contingencies

During normal operations of the Corporation, there are various lawsuits and legal actions initiated by or against the Corporation, which derive from its operations and the industry in which it operates. In general, these are civil, tax, labor and mining litigations, all related to the Corporation's activities.

In the opinion of Management and its legal advisors, the lawsuits in which the Corporation is being sued do not represent significant loss contingencies or cash flows. Codelco defends its rights and employs all corresponding relevant legal instances, resources and procedures.

The most significant lawsuits that involve Codelco are related to the following matters:

- Tax Lawsuits: There are several tax lawsuits due to Internal Revenue Service tax assessments, for which the Corporation has filed the corresponding opposition.
- Labor Lawsuits: Labor lawsuits filed by workers of the Andina Division against the Corporation, relating to occupational illness (silicosis).
- Mining and Other Lawsuits derived from operations: The Corporation has been participating and will probably continue to participate as a plaintiff and defendant in certain lawsuits relating to its operations and mining activities, through which it seeks to exercise or oppose certain actions or exceptions with regard to certain mining concessions that have been established or are pending constitution, and its other activities. The amounts related to these processes have not been currently determined and do not significantly affect Codelco's development.

A case by case analysis of these lawsuits has shown that there are a total of 186 cases that have a clearly estimated value. It is estimated that 94 of these, which represent 77% of the total and which amount to ThUS\$93,705, could have a negative impact on the Corporation. There are also 29 lawsuits, representing 11% of the total and which amount to ThUS\$12,781, about which there is no certainty that the outcome would be unfavorable for Codelco. For the 63 remaining cases, amounting to ThUS\$13,931, the Corporation's legal advisors believe that an unfavorable outcome is unlikely. In

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

addition, there are 103 lawsuits for undetermined amounts; it is believed that the result of 32 of these could be unfavorable to Codelco.

Additionally, the Corporation is in the process of responding to, by the corresponding deadlines, a resolution of the Internal Revenue Service that originates from a review of taxable income from prior years related to a product sales contract signed with a related company.

The necessary provisions have been made for the lawsuits with probable losses and their legal costs. These provisions are recorded as contingency provisions.

As is public knowledge, the Corporation has submitted Appeals for Protection before the respective Courts of Appeals, challenging the findings reported by the Labor Department, deriving from inspections performed under the framework of Law No.20,123, which regulates subcontracted work schemes and temporary service firms. Five of these appeals were accepted and one was rejected, the latter of which has been appealed by the Corporation. All appeals are currently pending in the Supreme Court.

#### **b) Other Commitments**

- i. On February 29, 2010, the Board agreed to continue mining operations of the Salvador Division until 2016, and if market and operating conditions are maintained, until 2021. Both extensions are subject to the condition that management improvements and cost reduction commitments made by the Division are met. These commitments were filed at the Board of Directors in August 2010. And the extension was approved.
- ii. On May 31, 2005, Codelco, through its subsidiary Codelco International Ltd. signed an agreement with Minmetals to form a company, Copper Partners Investment Company Ltd., in which both companies have an equal equity interest. A 15-year copper cathode sales contract to that associated company was agreed upon, as well as a purchase contract from Minmetals to the latter for the same period and for equal monthly shipments to complete a total of 836,250 metric tons. Each shipment shall be paid by the buyer at a price formed by a fixed re-adjustable component plus a variable component, which depends on current copper prices at the time of shipment.

During the first quarter of 2006 and on the basis of the negotiated financial terms, financing contracts were formalized with the China Development Bank allowing Copper Partners Investment Company Ltd. to make the US\$550 million advance payment to Codelco in March 2006.

As of December 31, 2011, the contract is operational, and monthly shipments began in June 2006.



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

With regard to financial obligations incurred by the associate Copper Partners Investment Company Ltd. with the China Development Bank, Codelco Chile and Codelco International Ltd. must meet certain commitments, mainly relating to the delivery of financial information. In addition, Codelco Chile must maintain 51% ownership of Codelco International Limited.

According to the Sponsor Agreement, dated March 8, 2006, the Codelco International Ltd. subsidiary gave its participation in Copper Partners Investment Company Limited as a guarantee to the China Development Bank.

- iii. In October 2011, the Corporation, along with Mitsui & Co., Ltd.(Mitsui) engaged in a credit agreement for up to U.S. \$6,750 million, payable within a period of six months (which could be extended in certain cases to a total of 12 months) with the purpose to finance Codelco's purchase right. In the same month, under the contract such right of purchase, Codelco's Board of Directors agreed to exercise up to 49% interest in the company Anglo American Sur SA, the legal successor of Compañía Minera Disputada of Las Condes S.A.

The credit mentioned before will be awarded, guaranteed by a subsidiary of Codelco, Acrux Mining Investments SpA (Acrux), and will contribute directly or indirectly to the shares acquired.

Under additional agreements with Mitsui, Codelco has a mechanism for managing certain risks associated with compliance of its obligations under the credit agreement, under which it has the right, but not the obligation, to transfer shares to Mitsui representing 50% of the total shares issued by Acrux, at the given subscription price, but subject to certain adjustments (with an approximate value assigned to 49% of the shares of Anglo American Sur SA of approximately U.S. \$ 9,760 million ) against the capitalization of part of the credit granted to Acrux. In this situation, the balance of outstanding debt with Mitsui will be amended and shall be payable within 5 years, guaranteed by the shares of Acrux and without Codelco's guarantee.

- iv. The Corporation has signed gas supply contracts with its associate GNL Mejillones S.A., which began operations in October 2010, and through this contract, the associate agrees to sell part of a minimum equivalent to 27 Terra BTU's (British Thermal Units) per year during the 2010 - 2012 period. Additionally, the Corporation has signed an option contract together with other participating mining companies that includes the option to:
- Acquire the right to the long-term use of the terminal's capacity from the end of the contract, or

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

- 
- To acquire the company's shares; the companies are committed to choosing one or other of these two alternatives.

On December 31, 2011, the Corporation has guarantees for 37% of the total exposure of the derivative transactions made by GNL Mejillones S.A., up to a maximum of ThUS\$266,400.

- v. Law 19,993 dated December 17, 2004, which authorized the purchase of the Fundición y Refinería Las Ventanas assets from ENAMI, established that the Corporation must ensure that the smelting and refining capacity required is maintained, without any restriction and limitation, for treating the products of the small and medium mining sector sent by ENAMI, under the form of toll production mode or another form agreed upon by the parties.
- vi. Obligations with the public for bond issues means that the Corporation must meet certain restrictions related to limits on pledges and leaseback transactions on its principal assets and on its ownership interest in subsidiaries.

The Corporation, as of December, 31, 2011 and 2010, has met these conditions.

- vii. On January 20, 2010, the Corporation signed two energy supply contracts with Colbún S.A., which includes energy and power purchases for a total of 351 MW. The contract provides a discount for that energy consumption due to lower demand from Codelco's SIC divisions with respect to the amount of contracted power. The discount is equivalent to the value of the sale of that energy on the spot market.

In addition, through a supplementary agreement, Codelco has ensured the supply by Colbún of 159 MW, adapted to Codelco's long-term energy and power requirements from the SIC of approximately 510 MW.

This contract is based on energy production from Colbún's Santa María thermal power station, which is currently under construction. This plant is coal-fired, and therefore the electric energy tariff rate applied for the energy supplied to Codelco is linked to the price of coal.

Through these contracts, which operate through take or pay, the Corporation agrees to pay for the contracted energy and Colbún undertakes to return at market price the energy not consumed by Codelco.

These contracts have maturity date in 2027 and 2045.

- viii. On November 6, 2009, Codelco signed the following long-term electric energy supply contracts with ELECTROANDINA S.A.(associate until January 2011), with a maturity in 2017:
  - This Contract replaces the one signed on November 22, 1995, for the supply of electricity to the Chuquicamata work center, for a 15-year term beginning in January 2010 for between

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

200 and 280 MW in power and all associated electric energy. The approximate cost of the contract is US\$1,380 million for the whole period.

- Modification of the contract dated December 21, 1995 for the Radomiro Tomic work center, for a maximum power of 110 MW, in which new prices are established, for the power and energy contemplated in the contract as well as their new adjustment formulas from January 2010.
- ix. On December 31, 2009, Codelco has signed a purchase contract with Empresa Nacional de Electricidad S.A., for the purchase of power and electricity from the Central Interconnected System (SIC) to meet Codelco's requirements for its Salvador Division.

The contract is effective from April 1, 2010 until March 31, 2013. The maximum power agreed reaches HP 70 (MW) and HFP 71 (MW).

- x. During the fourth quarter of 2011, the Corporation signed four bilateral funding contracts with various financial institutions, amounting to \$ 850 million, enabling Codelco to have the funds necessary to carry out its investment plan and refinance its liabilities when needed, and within the periods established in the contract.

The abovementioned amounts have not been used by the Corporation as of December 31, 2011.

- xi. On November 11, 2011, Law No. 20551 was published in the Official Journal, which regulates the tasks and closure of mining facilities.

This law requires the Corporation, among other requirements, to provide financial guarantees to the State to ensure implementation of closure plans. It also establishes the obligation to make contributions to a fund which aims to cover the costs of post-closure activities.

The enforcement of the legal body will start on November, 2012 the date on which it begins to take effect within two years within which Codelco will have to value its closure plans. These valuations must be approved, so that the guarantees begin to be granted starting from the first business day after the sixth month from the date of such approval.

The amounts that Codelco should initially constitute as guarantees, will be equivalent to twenty percent of the total present value of the total cost of closure activities and will have a total term of fifteen years to make up the full value of the aforementioned guarantees.

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

### 30. Guarantees

The Corporation as a result of its activities has received and given guarantees. In the tables below are given details of the main guarantees given to financial institutions:

| Direct Guarantees provided to Financial Institutions |                                        |            |               |                |
|------------------------------------------------------|----------------------------------------|------------|---------------|----------------|
| Creditor por the Guarantee                           | Type of Guarantee                      | 12/31/2011 |               | 12/31/2010     |
|                                                      |                                        | Maturity   | ThUS\$        | ThUS\$         |
| Macquarie Bank Limited                               | Standby Letter - Intesa Sanpaolo Bank  | -          | -             | 60,000         |
| Macquarie Bank Limited                               | Standby Letter - Intesa Sanpaolo Bank  | -          | -             | 55,000         |
| Koch Supply & Trading LP                             | Standby Letter - Intesa Sanpaolo Bank  | -          | -             | 55,000         |
| Koch Supply & Trading LP                             | Standby Letter - Intesa Sanpaolo Bank  | -          | -             | 30,000         |
| Koch Supply & Trading LP                             | Standby Letter - Banco Santander Chile | Jan-12     | 25,000        | 50,000         |
| <b>Total</b>                                         |                                        |            | <b>25,000</b> | <b>250,000</b> |

| Indirect guarantees given to financial institutions |                                     |              |                       |                      |                      |
|-----------------------------------------------------|-------------------------------------|--------------|-----------------------|----------------------|----------------------|
| Creditor of the guarantee                           | Debtor guaranteed                   | Relationship | Type of the guarantee | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
| Barclays Bank PLC                                   | Associate GNL Mejillones S.A.       | Associate    | Guarantee             | 74.000               | 100.000              |
| Morgan Stanley Capital Group INC.                   | Associate GNL Mejillones S.A.       | Associate    | Guarantee             | 148.000              | 200.000              |
| Koch Supply & Trading LP                            | Associate GNL Mejillones S.A.       | Associate    | Guarantee             | 44.400               | 60.000               |
| China Development Bank                              | Copper Partners Investment Co. Ltd. | Associate    | Rights                | 59.621               | 26.635               |
| <b>Total</b>                                        |                                     |              |                       | <b>326.021</b>       | <b>386.635</b>       |

As for the documents received as collateral, they cover mainly obligations of suppliers and contractors related to the various development projects. Below are given the amounts received as collateral, grouped according to the Operating Divisions that have received these amounts:

| Guarantees received from third parties |                      |                      |
|----------------------------------------|----------------------|----------------------|
| Division                               | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
| Andina                                 | 41,491               | 50,026               |
| Chuquicamata                           | 69,210               | 54,907               |
| Parent Corporation                     | 207,967              | 202,116              |
| Radomiro Tomic                         | 23,003               | -                    |
| Salvador                               | 1,400                | 536                  |
| Ministro Hales                         | 6,244                | -                    |
| El Teniente                            | 96,491               | 67,026               |
| Ventanas                               | 3,015                | 2,127                |
| <b>Total</b>                           | <b>448,821</b>       | <b>376,738</b>       |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### 31. Balances in foreign currency

##### a) Assets by Type of Currency

| Item                                           | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|------------------------------------------------|----------------------|----------------------|
| <b><u>Liquid assets</u></b>                    | <b>1,576,113</b>     | <b>1,069,177</b>     |
| US Dollars                                     | 1,362,980            | 983,905              |
| Euros                                          | 489                  | 558                  |
| Other currencies                               | 2,555                | 21,780               |
| Non-indexed Ch\$                               | 18,023               | 62,934               |
| U.F.                                           | 192,066              | -                    |
| <b>Cash and Cash equivalents</b>               | <b>1,382,876</b>     | <b>874,039</b>       |
| US Dollars                                     | 1,362,612            | 792,409              |
| Euros                                          | 179                  | -                    |
| Other currencies                               | 2,255                | 21,779               |
| Non-indexed Ch\$                               | 17,530               | 59,851               |
| U.F.                                           | -                    | -                    |
| <b>Other current financial assets</b>          | <b>193,237</b>       | <b>195,138</b>       |
| US Dollars                                     | 368                  | 191,496              |
| Euros                                          | 310                  | 558                  |
| Other currencies                               | -                    | 1                    |
| Non-indexed Ch\$                               | 493                  | 3,083                |
| U.F.                                           | 192,066              | -                    |
| <b><u>Short and long terms receivables</u></b> | <b>2,233,207</b>     | <b>3,175,641</b>     |
| US Dollars                                     | 1,669,982            | 2,628,357            |
| Euros                                          | 99,803               | 67,926               |
| Other currencies                               | 18,020               | 459,333              |
| Non-indexed Ch\$                               | 311,963              | 18,835               |
| U.F.                                           | 133,439              | 1,190                |
| <b>Trade and other receivables</b>             | <b>1,968,269</b>     | <b>2,714,006</b>     |
| US Dollars                                     | 1,537,815            | 2,363,430            |
| Euros                                          | 98,300               | 67,926               |
| Other currencies                               | 18,020               | 265,486              |
| Non-indexed Ch\$                               | 311,913              | 15,974               |
| U.F.                                           | 2,221                | 1,190                |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

| Item                                    | 12/31/2011<br>ThUS\$ | 12/31/2010<br>ThUS\$ |
|-----------------------------------------|----------------------|----------------------|
| Rights receivables, non-current         | 131,721              | 198,785              |
| US Dollars                              | -                    | 3,585                |
| Euros                                   | 1,503                | -                    |
| Other currencies                        | -                    | 193,847              |
| Non-indexed Ch\$                        | -                    | 1,353                |
| U.F.                                    | 131,218              | -                    |
| Due from related companies, current     | 56,357               | 157,954              |
| US Dollars                              | 56,341               | 156,446              |
| Euros                                   | -                    | -                    |
| Other currencies                        | -                    | -                    |
| Non-indexed Ch\$                        | 16                   | 1,508                |
| U.F.                                    | -                    | -                    |
| Due from related companies, non-current | 75,860               | 104,896              |
| US Dollars                              | 75,826               | 104,896              |
| Euros                                   | -                    | -                    |
| Other currencies                        | -                    | -                    |
| Non-indexed Ch\$                        | 34                   | -                    |
| U.F.                                    | -                    | -                    |
| <b><u>Rest od assets</u></b>            | <b>17,025,624</b>    | <b>16,034,223</b>    |
| US Dollars                              | 16,115,389           | 11,754,576           |
| Euros                                   | 138,349              | 460,807              |
| Other currencies                        | 5,415                | 3,530,536            |
| Non-indexed Ch\$                        | 672,820              | 250,197              |
| U.F.                                    | 93,651               | 38,107               |
| <b><u>Total Assets</u></b>              | <b>20,834,944</b>    | <b>20,279,041</b>    |
| US Dollars                              | 19,148,351           | 15,366,838           |
| Euros                                   | 238,641              | 529,291              |
| Other currencies                        | 25,990               | 4,011,649            |
| Non-indexed Ch\$                        | 1,002,806            | 331,966              |
| U.F.                                    | 419,156              | 39,297               |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

#### b) Liability by type of currency

|                                            | 12/31/2011                 |                                     | 12/31/2010                 |                                     |
|--------------------------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
|                                            | Up to<br>90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ | Up to<br>90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ |
| <b>Current liabilities by currency</b>     |                            |                                     |                            |                                     |
| <b>Current Liabilities</b>                 | 2,774,763                  | 1,641,319                           | 3,324,919                  | 1,918,908                           |
| US Dollars                                 | 1,662,077                  | 1,287,215                           | 3,072,346                  | 1,904,206                           |
| Euros                                      | 88,393                     | 38,714                              | -                          | 3,979                               |
| Other currencies                           | 42,744                     | -                                   | 95,386                     | 25                                  |
| Non-indexed Ch\$                           | 956,965                    | 5,182                               | 336                        | -                                   |
| U.F.                                       | 24,584                     | 310,208                             | 156,851                    | 10,698                              |
| <b>Other current financial liabilities</b> | 2,105                      | 1,641,319                           | -                          | 1,918,908                           |
| US Dollars                                 | 67                         | 1,287,215                           | -                          | 1,904,206                           |
| Euros                                      | -                          | 38,714                              | -                          | 3,979                               |
| Other currencies                           | -                          | -                                   | -                          | 25                                  |
| Non-indexed Ch\$                           | 1,015                      | 5,182                               | -                          | -                                   |
| U.F.                                       | 1,023                      | 310,208                             | -                          | 10,698                              |
| <b>Bank loans</b>                          | -                          | 41,276                              | -                          | 340,613                             |
| US Dollars                                 | -                          | 2,106                               | -                          | 336,440                             |
| Euros                                      | -                          | 38,714                              | -                          | 1,060                               |
| Other currencies                           | -                          | -                                   | -                          | -                                   |
| Non-indexed Ch\$                           | -                          | 225                                 | -                          | -                                   |
| U.F.                                       | -                          | 231                                 | -                          | 3,113                               |
| <b>Bonds</b>                               | -                          | 802,954                             | -                          | 61,933                              |
| US Dollars                                 | -                          | 496,272                             | -                          | 54,348                              |
| Euros                                      | -                          | -                                   | -                          | -                                   |
| Other currencies                           | -                          | -                                   | -                          | -                                   |
| Non-indexed Ch\$                           | -                          | -                                   | -                          | -                                   |
| U.F.                                       | -                          | 306,682                             | -                          | 7,585                               |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

|                                        | 12/31/2011                 |                                     | 12/31/2010                 |                                     |
|----------------------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
|                                        | Up to<br>90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ | Up to<br>90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ |
| <b>Current liabilities by currency</b> |                            |                                     |                            |                                     |
| <b>Finance lease</b>                   | 2,105                      | 20,849                              | -                          | 17,367                              |
| US Dollars                             | 67                         | 18,340                              | -                          | 17,116                              |
| Euros                                  | -                          | -                                   | -                          | 226                                 |
| Other currencies                       | -                          | -                                   | -                          | 25                                  |
| Non-indexed Ch\$                       | 1,015                      | -                                   | -                          | -                                   |
| U.F.                                   | 1,023                      | 2,509                               | -                          | -                                   |
| <b>Other</b>                           |                            | 776,240                             | -                          | 1,498,995                           |
| US Dollars                             | -                          | 770,497                             | -                          | 1,496,302                           |
| Euros                                  | -                          | -                                   | -                          | 2,693                               |
| Other currencies                       | -                          | -                                   | -                          | -                                   |
| Non-indexed Ch\$                       | -                          | 4,957                               | -                          | -                                   |
| U.F.                                   | -                          | 786                                 | -                          | -                                   |
| <b>Other current liabilities</b>       | 2,772,658                  | -                                   | 3,324,919                  | -                                   |
| US Dollars                             | 1,662,010                  | -                                   | 3,072,346                  | -                                   |
| Euros                                  | 88,393                     | -                                   | -                          | -                                   |
| Other currencies                       | 42,744                     | -                                   | 95,386                     | -                                   |
| Non-indexed Ch\$                       | 955,950                    | -                                   | 336                        | -                                   |
| U.F.                                   | 23,561                     | -                                   | 156,851                    | -                                   |



## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

| Non-current liabilities by currency              | 12/31/2011                |                           |                            |                                 | 12/31/2010                |                           |                            |                                 |
|--------------------------------------------------|---------------------------|---------------------------|----------------------------|---------------------------------|---------------------------|---------------------------|----------------------------|---------------------------------|
|                                                  | 1 to 3<br>years<br>ThUS\$ | 3 to 5<br>years<br>ThUS\$ | 5 to 10<br>years<br>ThUS\$ | More than<br>10 years<br>ThUS\$ | 1 to 3<br>years<br>ThUS\$ | 3 to 5<br>years<br>ThUS\$ | 5 to 10<br>years<br>ThUS\$ | More than<br>10 years<br>ThUS\$ |
| <b>Non - current liabilities</b>                 | 5,550,343                 | 791,400                   | 1,573,504                  | 2,438,585                       | 6,024,775                 | 1,579,613                 | 1,570,977                  | 1,328,637                       |
| US Dollars                                       | 4,350,229                 | 784,544                   | 1,573,504                  | 2,118,216                       | 4,594,673                 | 1,579,613                 | 1,570,977                  | 985,661                         |
| Euros                                            | -                         | -                         | -                          | -                               | 476                       | -                         | -                          | -                               |
| Other currencies                                 | -                         | -                         | -                          | -                               | 2,444                     | -                         | -                          | -                               |
| Non-indexed Ch\$                                 | 801,871                   | -                         | -                          | -                               | 1,022,154                 | -                         | -                          | -                               |
| U.F.                                             | 398,243                   | 6,856                     | -                          | 320,369                         | 405,028                   | -                         | -                          | 342,976                         |
| <b>Other non - current financial liabilities</b> | 1,591,665                 | 791,400                   | 1,573,504                  | 2,438,585                       | 2,710,255                 | 1,579,613                 | 1,570,977                  | 1,328,637                       |
| US Dollars                                       | 1,572,636                 | 784,544                   | 1,573,504                  | 2,118,216                       | 2,257,146                 | 1,579,613                 | 1,570,977                  | 985,661                         |
| Euros                                            | -                         | -                         | -                          | -                               | 476                       | -                         | -                          | -                               |
| Other currencies                                 | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Non-indexed Ch\$                                 | 106                       | -                         | -                          | -                               | 64,921                    | -                         | -                          | -                               |
| U.F.                                             | 18,923                    | 6,856                     | -                          | 320,369                         | 387,712                   | -                         | -                          | 342,976                         |
| <b>Bank Loans</b>                                | 412,101                   | 784,544                   | -                          | -                               | 212,350                   | 1,083,700                 | -                          | -                               |
| US Dollars                                       | 410,258                   | 784,544                   | -                          | -                               | 212,350                   | 1,083,700                 | -                          | -                               |
| Euros                                            | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Other currencies                                 | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Non-indexed Ch\$                                 | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| U.F.                                             | 1,843                     | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| <b>Bonds</b>                                     | 996,310                   | -                         | 1,573,504                  | 2,438,585                       | 1,252,314                 | 495,913                   | 1,570,977                  | 1,328,637                       |
| US Dollars                                       | 996,310                   | -                         | 1,573,504                  | 2,118,216                       | 933,314                   | 495,913                   | 1,570,977                  | 985,661                         |
| Euros                                            | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Other currencies                                 | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Non-indexed Ch\$                                 | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| U.F.                                             | -                         | -                         | -                          | 320,369                         | 319,000                   | -                         | -                          | 342,976                         |
| <b>Financial Lease</b>                           | 99,239                    | 6,856                     | -                          | -                               | 122,503                   | -                         | -                          | -                               |
| US Dollars                                       | 82,053                    | -                         | -                          | -                               | 53,315                    | -                         | -                          | -                               |
| Euros                                            | -                         | -                         | -                          | -                               | 476                       | -                         | -                          | -                               |
| Other currencies                                 | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Non-indexed Ch\$                                 | 106                       | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| U.F.                                             | 17,080                    | 6,856                     | -                          | -                               | 68,712                    | -                         | -                          | -                               |
| <b>Others</b>                                    | 84,015                    | -                         | -                          | -                               | 1,123,088                 | -                         | -                          | -                               |
| US Dollars                                       | 84,015                    | -                         | -                          | -                               | 1,058,167                 | -                         | -                          | -                               |
| Euros                                            | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Other currencies                                 | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Non-indexed Ch\$                                 | -                         | -                         | -                          | -                               | 64,921                    | -                         | -                          | -                               |
| U.F.                                             | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| <b>Other non - current financial liabilities</b> | 3,958,678                 | -                         | -                          | -                               | 3,314,520                 | -                         | -                          | -                               |
| US Dollars                                       | 2,777,593                 | -                         | -                          | -                               | 2,337,527                 | -                         | -                          | -                               |
| Euros                                            | -                         | -                         | -                          | -                               | -                         | -                         | -                          | -                               |
| Other currencies                                 | -                         | -                         | -                          | -                               | 2,444                     | -                         | -                          | -                               |
| Non-indexed Ch\$                                 | 801,765                   | -                         | -                          | -                               | 957,233                   | -                         | -                          | -                               |
| U.F.                                             | 379,320                   | -                         | -                          | -                               | 17,316                    | -                         | -                          | -                               |

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

#### **32. Sanctions**

As of December 31, 2011 and 2010, neither Codelco Chile nor its Directors and Managers have been sanctioned by the Superintendency of Securities and Insurance or any other administrative authorities.

#### **33. Subsequent events**

On January 2, 2012, under the contract dated January 24, 1978 and its amendment of dated November 13, 2002 (collectively, the "Agreement"), the National Copper Corporation of Chile exercised formally its right to purchase the shares of Anglo American Sur SA ("AA South"), the legal successor of the former mining company Disputada de las Condes SA, for the maximum amount Codelco had the right to acquire. The exercise of the purchase right of Codelco involves the acquisition of 49% of the shares issued by Anglo American Sur S.A. Simultaneously, with the indicated share acquisition, Codelco expressed its decision to assume the same percentage of the unpaid balance of any loans received by AA Southern, part of Anglo American PLC or any of its subsidiaries (collectively, "Anglo American"), upon payment to said companies from the proportionate share of the net principal amount owed by AA South.

Considering that Anglo American has not provided the information necessary to establish the final price, this determination should be made in accordance with the standards established in the Agreement. According to information provided by Anglo American in July 2011, the purchase price of 49% of the shares (including the proportion of corresponding loans) is estimated to be around US \$6,000 million. For this purpose, as was reported as a material fact dated October 12, 2011, Codelco has concluded and signed with its subsidiary Acrux Mining Investments SpA and Mitsui & Co., Ltd., agreements and instruments that provide the resources to finance this operation.

Codelco believes the transfer of shares that represent 49% of the shares in Anglo American Sur SA, must have been made within the period specified in the Contract.

On December 28, 2011 Codelco was notified of a civil lawsuit filed against it by Anglo American, which requested the termination of the Agreement which establishes the right of Codelco to buy up to 49% of the total shares of AA South, plus compensation for damages. The suit does not quantify the alleged damages claimed and postponed its decision to a later stage, either during this or another claim. Codelco estimated that the claim is unfounded both in fact and in law, since its purpose, as well in their refusal to disclose information, is to override the right of purchase that had already been executed.

Codelco estimated that that claim is unfounded both in fact and in law, since its only and evident goal, like refusing to disclose information that is due, is to override the right of purchase which with this date has been exercised is hindering the practice of Purchase Right of Codelco. Therefore, Codelco requested the rejection of such claim and demanded a counterclaim to Anglo American for forced performance of the Contract and therefore the transfer of shares representing a 49% interest in AA Sur, plus compensation for damages. The trial is currently in development, estimating a period of at least 3 years for completion by

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

the end statement. Meanwhile, Codelco decided in favor of a precautionary measure to hold documents and contracts on 49% of the shares of AA Sur as an object of the counterclaim.

The Corporation has made clear that will perform such actions required to defend and enforce their legal rights as well as to enforce the Contract that Anglo American has attempted to ignore.

It should be noted that the right to purchase up to 49% of the shares of AA Sure corresponds to right of purchase that in 1978 Exxon Minerals Chile Inc. awarded to the National Mining Corporation ("Enami") in the contract that was the first to sell controlling shares in the then Mining Company of Las Condes SA Disputada. The contract was amended in 2002 due to the acquisition by Anglo American de la Compañía Minera Disputada de Las Condes S.A. to Exxon, in connection with a lawsuit filed by Enami against Exxon in defense of their right to purchase. In December 2008, Enami assigned Codelco as its designated holder. Codelco acquired all the rights that correspond to Enami as a result.

The Administration of the Corporation is not aware of other matters, which would have a significant impact on the statements of a financial or other nature, that have occurred from 1 January 2012 to the date of issuance of these financial statements (22 March 2012), which may have a material impact on the financial position, results of operations or cash flows of these financial statements.

#### **34. Environmental Expenditures**

Each of CODELCO's operations is subject to national, regional and local regulations related to protection of the environment and natural resources, including standards relating to water, air, noise and disposal and transportation of dangerous residues, among others. Chile has adopted environmental regulations that have obligated the companies that operate in the country, including CODELCO, to carry out programs to reduce, control or eliminate relevant environmental impacts. CODELCO has executed and shall continue to execute a series of environmental projects to comply with these regulations.

Consequently with the Letter of Values approved in 2010, CODELCO is governed by a series of internal policies and regulations that frame its commitment to the environment, including the Sustainable Development Policy (2003) and the Corporate Security, Occupational Health and Environmental Management Policy (2007).

The environmental management systems of the divisions and the Parent Corporation, structure their efforts in order to comply with the commitments assumed by the Corporation's environmental policies, incorporating planning, operation, verification and activities review elements. As of December 31, 2011, they have received ISO 14001 certification for the environmental management of the Chuquicamata, Radomiro Tomic, Andina, Salvador, El Teniente and Ventanas Division, Gaby Operation and the Parent Corporation.

## **CORPORACION NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of US dollars of the United States of America, except as indicated in other currency or unit)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note I.2)

---

To comply with the Circular N°1.901 from 2008 of the Chilean Superintendency of Securities and Insurance, below are the details of the Corporation's main expenditures related to the environment during the periods ended as of January 1 and December 31, 2011 and 2010, respectively and the projected future expenses:

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

| Company         | Project                                                               | Disbursements made up to 12/31/2011 |               |                   |                               | Amount in US\$ |
|-----------------|-----------------------------------------------------------------------|-------------------------------------|---------------|-------------------|-------------------------------|----------------|
|                 |                                                                       | Project Status                      | Amount ThUS\$ | Asset/Expenditure | Asset Item / Expenditure      |                |
|                 | <b>Chuquicamata</b>                                                   |                                     | <b>53,961</b> |                   |                               |                |
| Codelco Chile   | Ampliación tranque Talabre, séptima etapa, Chuquicamata               | In process                          | 2,521         | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Acid plants                                                           | In process                          | 45,532        | Expenditure       | Administrative expenses       |                |
| Codelco Chile   | Solid waste                                                           | In process                          | 1,866         | Expenditure       | Administrative expenses       |                |
| Codelco Chile   | Effluent treatment plant                                              | In process                          | 4,042         | Expenditure       | Administrative expenses       |                |
|                 | <b>Salvador</b>                                                       |                                     | <b>25,653</b> |                   |                               |                |
| Codelco Chile   | Implementation of the solution for handling of liquid waste and water | Finished                            | -             | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Solution for oxygen plant water treatment and water plants            | Finished                            | -             | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Mejora captación de polvo áreas concentradora                         | In process                          | 126           | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Construcción zanja residuos Peligrosos                                | In process                          | 456           | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Acid plants                                                           | In process                          | 24,200        | Expenditure       | Administrative expenses       |                |
| Codelco Chile   | Solid waste                                                           | In process                          | 686           | Expenditure       | Administrative expenses       |                |
| Codelco Chile   | Planta de tratamiento de efluentes                                    | In process                          | 185           | Expenditure       | Administrative expenses       |                |
|                 | <b>Andina</b>                                                         |                                     | <b>15,612</b> |                   |                               |                |
| Codelco Chile   | Mejora de control de descarga espesador relave                        | Finished                            | -             | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Remediation works- Residue Transport Tunnels                          | Finished                            | -             | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Construcción de torre captación 3 Embalse Ovejera                     | Finished                            | -             | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Line enhancement of main wall stirrup at Ovejera reservoir            | Finished                            | 393           | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Construction hydraulic barrier                                        | Finished                            | -             | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Construction of plug for evacuation tower N°1                         | Finished                            | 202           | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Slope Improvements and protection                                     | Finished                            | 1,032         | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Acquisition of independent pump equipment                             | Finished                            | 209           | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Improvement of tunnel 3 handling of Ovejera residue- projected        | Finished                            | 881           | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Construction of water trap for east ballast deposit                   | In process                          | 4,824         | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Construcción drenes depósitos lastres 2                               | In process                          | 1,929         | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Instalación bodega distrito                                           | In process                          | 584           | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Construcción peralte canal relave Ovejera                             | In process                          | 3,009         | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Ampliación Drenes Etapa 5                                             | In process                          | 28            | Asset             | Property, plant and Equipment |                |
| Codelco Chile   | Solid waste                                                           | In process                          | 1,641         | Expenditure       | Administrative expenses       |                |
| Codelco Chile   | Planta de tratamiento de efluentes                                    | In process                          | 880           | Expenditure       | Administrative expenses       |                |
| <b>Subtotal</b> |                                                                       |                                     | <b>95,226</b> |                   |                               |                |

## CORPORACION NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US dollars of the United States of America, except as indicated in other currency)  
(Translation to English of consolidated financial statements originally issued in Spanish – see Note 1)

| Company            | Project                                                            | Disbursements made up to 12/31/2011 |                |                   |  | Asset Item / Expenditure      |
|--------------------|--------------------------------------------------------------------|-------------------------------------|----------------|-------------------|--|-------------------------------|
|                    |                                                                    | Project Status                      | Amount ThUS\$  | Asset/Expenditure |  |                               |
|                    | <b>El Teniente</b>                                                 |                                     | <b>146,921</b> |                   |  |                               |
| Codelco Chile      | Construction of the 5th stage in Caren Reservoir                   | In process                          | 49,232         | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Decontamination of conditioning of laboratory                      | Finished                            | -              | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Solución para RILES de aguas servidas campamento                   | Finished                            | 3,909          | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Monitoreo en línea de canal de relaves                             | In process                          | 152            | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Ampliación cajón relave cascada 4                                  | In process                          | 78             | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Ampliación cajón relave Ruta 5                                     | In process                          | 101            | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Plantas de ácido                                                   | In process                          | 79,576         | Expenditure       |  | Administrative expenses       |
| Codelco Chile      | Residuos sólidos                                                   | In process                          | 3,073          | Expenditure       |  | Administrative expenses       |
| Codelco Chile      | Planta de tratamiento de efluentes                                 | In process                          | 10,800         | Expenditure       |  | Administrative expenses       |
|                    | <b>Minera Gaby</b>                                                 |                                     | <b>6,922</b>   |                   |  |                               |
| Minera Gaby S.p A. | Installation of gravel dump - phase IV                             | Finished                            | 6,922          | Asset             |  | Property, plant and Equipment |
|                    | <b>Ventanas</b>                                                    |                                     | <b>30,495</b>  |                   |  |                               |
| Codelco Chile      | Mitigación ambiental stock concentrado emergencia proyecto ventana | Finished                            | -              | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Overhaul interchange W23                                           | Finished                            | -              | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Construction of a new temporary storage facility (respel)          | Finished                            | -              | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Mitigación ambiental stock concentradora                           | In process                          | 4,926          | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Normalización piscinas aguas lluvias                               | In process                          | 6              | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Plantas de ácido                                                   | In process                          | 19,114         | Expenditure       |  | Administrative expenses       |
| Codelco Chile      | Residuos sólidos                                                   | In process                          | 1,012          | Expenditure       |  | Administrative expenses       |
| Codelco Chile      | Planta de tratamiento de efluentes                                 | In process                          | 5,437          | Expenditure       |  | Administrative expenses       |
|                    | <b>Radomiro Tomic</b>                                              |                                     | <b>743</b>     |                   |  |                               |
| Codelco Chile      | Residuos sólidos                                                   | In process                          | 560            | Asset             |  | Property, plant and Equipment |
| Codelco Chile      | Planta de tratamiento de efluentes                                 | In process                          | 183            | Expenditure       |  | Administrative expenses       |
| <b>Subtotal</b>    |                                                                    |                                     | <b>185,081</b> |                   |  |                               |
| <b>Total</b>       |                                                                    |                                     | <b>280,292</b> |                   |  |                               |

[THIS PAGE INTENTIONALLY LEFT BLANK]



# **CODELCO - CHILE**

**Consolidated Financial Statements as of December 31, 2010**



## TABLE OF CONTENTS

### CONSOLIDATED FINANCIAL STATEMENTS

(January - December 2010)

---

|                                                                                                                                                     |       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION                                                                                                       | F-231 |
| CONSOLIDATED STATEMENTS OF INCOME                                                                                                                   | F-233 |
| CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME                                                                                                     | F-234 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS                                                                                                               | F-235 |
| CONSOLIDATED STATEMENTS OF CHANGES IN NET EQUITY                                                                                                    | F-236 |
| I. GENERAL ASPECTS                                                                                                                                  | F-238 |
| 1. Corporate Information                                                                                                                            | F-238 |
| 2. Basis of Presentation of the Consolidated Financial Statements                                                                                   | F-239 |
| II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES                                                                                                      | F-240 |
| 1. Critical Accounting Policies and Key Sources of estimates                                                                                        | F-240 |
| 2. Principal Accounting Policies                                                                                                                    | F-243 |
| 3. New Accounting Pronouncements                                                                                                                    | F-260 |
| III. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS                                                                                      | F-261 |
| 1. First time adoption of IFRS                                                                                                                      | F-261 |
| 2. Reconciliations between the Generally Accepted Accounting Principles in Chile "Chilean GAAP" and the International Financial Reporting Standards | F-262 |
| IV. EXPLANATORY NOTES                                                                                                                               | F-267 |
| 1. Cash and Cash Equivalents                                                                                                                        | F-267 |
| 2. Trade and Other Receivables                                                                                                                      | F-268 |
| 3. Balances and Transactions with Related Companies                                                                                                 | F-270 |
| 4. Inventories                                                                                                                                      | F-278 |
| 5. Deferred Taxes and Income Taxes                                                                                                                  | F-279 |
| 6. Current Tax Assets and Liabilities                                                                                                               | F-282 |
| 7. Property, Plant and Equipment                                                                                                                    | F-283 |
| 8. Investments Accounted For Using Equity Method                                                                                                    | F-285 |
| 9. Subsidiaries                                                                                                                                     | F-294 |
| 10. Intangible Assets Other Than Goodwill                                                                                                           | F-295 |
| 11. Other Non-Current Non-Financial Assets                                                                                                          | F-297 |
| 12. Current and Non-Current Financial Assets                                                                                                        | F-298 |
| 13. Interest-Bearing Borrowings                                                                                                                     | F-299 |
| 14. Fair Value of Items Recognized at Amortized Cost                                                                                                | F-309 |
| 15. Fair Value Hierarchy                                                                                                                            | F-310 |
| 16. Trade and Other Payables                                                                                                                        | F-311 |
| 17. Other Provisions                                                                                                                                | F-311 |
| 18. Employee Benefits                                                                                                                               | F-312 |
| 19. Net Equity                                                                                                                                      | F-313 |
| 20. Revenues                                                                                                                                        | F-316 |
| 21. Other Revenues and Expenses by Function                                                                                                         | F-316 |
| 22. Financial Costs                                                                                                                                 | F-317 |
| 23. Operating Segments                                                                                                                              | F-317 |
| 24. Exchange Differences                                                                                                                            | F-322 |
| 25. Statement of Cash Flows                                                                                                                         | F-323 |
| 26. Financial Risk Management                                                                                                                       | F-323 |
| 27. Derivative Contracts                                                                                                                            | F-328 |

|                                    |       |
|------------------------------------|-------|
| 28. Contingencies and Restrictions | F-331 |
| 29. Guarantees                     | F-335 |
| 30. Balance by Foreign Currency    | F-337 |
| 31. Sanctions                      | F-342 |
| 32. Subsequent Events              | F-342 |
| 33. Environment                    | F-343 |

## INDEPENDENT AUDITORS' REPORT

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

1. We have audited the accompanying consolidated statements of financial position of Corporación Nacional del Cobre de Chile and subsidiaries ("the Corporation" or "the Company") as of December 31, 2010 and 2009, the opening consolidated statement of financial position as of January 1, 2009, and the related consolidated statements of income, comprehensive income, changes in net equity and cash flows for the years ended on December 31, 2010 and 2009. These financial statements (including the related notes) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements, based on our audits. We did not audit the financial statements as of December 31, 2010 and 2009 and the opening statements of financial position as of January 1, 2009 of certain associates, jointly controlled entities 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 associates, jointly controlled entities and subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2010 and 2009, and as of January 1, 2009, the direct and indirect investment of the Corporation in such associates and jointly controlled entities and the total assets reflected in the financial statements of such subsidiaries, constitutes 8.0%, 7.2% and 6.8%, respectively, of the total consolidated assets, and the total net income for the year in those associates and jointly controlled entities and the total revenues reflected in the financial statements of such subsidiaries, constitute 9.4% and 9.8% in 2010 and 2009, respectively, of the total consolidated revenues.
2. We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management of the Corporation, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.
3. In our opinion, based on our audits and the reports of other auditors, such 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, 2010 and 2009, and January 1, 2009, and the results of their operations and their cash flows for the years ended December 31, 2010 and 2009 in conformity with International Financial Reporting Standards.
4. The accompanying consolidated financial statements have been translated into English solely for the convenience of the readers outside of Chile.

  
March 23, 2011

**CORPORACIÓN NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As of December 31, 2010, December 31, 2009 and January 1<sup>st</sup>, 2009  
(In thousands of US dollars - ThUS\$)

|                                                                                                                             | <u>Notes</u> | <u>12-31-2010</u><br>ThUS\$ | <u>12-31-2009</u><br>ThUS\$ | <u>01-01-2009</u><br>ThUS\$ |
|-----------------------------------------------------------------------------------------------------------------------------|--------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                                                                                                               |              |                             |                             |                             |
| <b>Current assets:</b>                                                                                                      |              |                             |                             |                             |
| Cash and cash equivalents                                                                                                   | 1            | 874,039                     | 773,076                     | 393,197                     |
| Other current financial assets                                                                                              | 12           | 195,138                     | 292,884                     | 386,013                     |
| Other current non-financial assets                                                                                          |              | 33,607                      | 18,755                      | 16,123                      |
| Trade and other current receivables                                                                                         | 2            | 2,714,006                   | 2,062,026                   | 835,367                     |
| Accounts receivables from related companies, current                                                                        | 3            | 157,954                     | 229,181                     | 115,694                     |
| Inventories                                                                                                                 | 4            | 1,782,506                   | 1,471,776                   | 1,546,598                   |
| Current tax assets                                                                                                          | 6.a          | 194,226                     | 147,866                     | 436,954                     |
| Total current assets other than assets or disposal groups classified as held for sale or as held for distribution to owners |              | 5,951,476                   | 4,995,564                   | 3,729,946                   |
| Non-current assets or disposal groups classified as held for sale or as held for distribution to owners                     |              | -                           | -                           | -                           |
| <b>Total current assets</b>                                                                                                 |              | <u>5,951,476</u>            | <u>4,995,564</u>            | <u>3,729,946</u>            |
| <b>Non-current assets:</b>                                                                                                  |              |                             |                             |                             |
| Other non-current financial assets                                                                                          | 12           | 181,125                     | 158,201                     | 12,557                      |
| Other non-current non-financial assets                                                                                      | 11           | 203,505                     | 206,132                     | 226,914                     |
| Non-current receivables                                                                                                     | 2            | 198,785                     | 198,102                     | 149,234                     |
| Accounts receivables from related companies, non-current                                                                    | 3            | 104,896                     | 358,259                     | 224                         |
| Investments accounted for using the equity method                                                                           | 8            | 1,260,774                   | 1,100,156                   | 1,084,470                   |
| Intangible assets other than goodwill                                                                                       | 10.a         | 21,556                      | 21,380                      | 18,108                      |
| Property, Plant and Equipment                                                                                               | 7            | 12,351,430                  | 11,210,433                  | 10,507,650                  |
| Investment property                                                                                                         |              | 5,494                       | 5,653                       | 5,690                       |
| <b>Total non-current assets</b>                                                                                             |              | <u>14,327,565</u>           | <u>13,258,316</u>           | <u>12,004,847</u>           |
| <b>TOTAL ASSETS</b>                                                                                                         |              | <u><u>20,279,041</u></u>    | <u><u>18,253,880</u></u>    | <u><u>15,734,793</u></u>    |

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

**CORPORACIÓN NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
As of December 31, 2010, December 31, 2009 and January 1<sup>st</sup>, 2009  
(In thousands of US dollars - ThUS\$)

|                                                                                                          | <u>Notes</u> | <u>12-31-2010</u> | <u>12-31-2009</u> | <u>01-01-2009</u> |
|----------------------------------------------------------------------------------------------------------|--------------|-------------------|-------------------|-------------------|
|                                                                                                          |              | ThUS\$            | ThUS\$            | ThUS\$            |
| <b>LIABILITIES AND EQUITY</b>                                                                            |              |                   |                   |                   |
| <b>Current liabilities</b>                                                                               |              |                   |                   |                   |
| Other current financial liabilities                                                                      | 13           | 1,918,908         | 1,394,422         | 1,232,783         |
| Trade and other current payables                                                                         | 16           | 1,803,276         | 1,822,752         | 1,153,119         |
| Accounts payables to related companies, current                                                          | 3            | 171,565           | 185,925           | 127,229           |
| Other short-term provisions                                                                              | 17           | 296,713           | 208,733           | 186,173           |
| Current tax liabilities                                                                                  | 6.b          | 307,952           | 63,636            | 4,628             |
| Current provisions for employee benefits                                                                 | 17           | 689,075           | 307,530           | 295,595           |
| Other current non-financial liabilities                                                                  |              | <u>56,338</u>     | <u>113,617</u>    | <u>23,314</u>     |
| Total current liabilities other than liabilities included in disposal groups classified as held for sale |              | 5,243,827         | 4,096,615         | 3,022,841         |
| Liabilities included in disposal groups classified as held for sale                                      |              | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| <b>Total current liabilities</b>                                                                         |              | <u>5,243,827</u>  | <u>4,096,615</u>  | <u>3,022,841</u>  |
| <b>Non-current liabilities</b>                                                                           |              |                   |                   |                   |
| Other non-current financial liabilities                                                                  | 13           | 7,189,482         | 6,338,526         | 3,974,393         |
| Other non-current payables                                                                               |              | 2,658             | 142,584           | 177,157           |
| Accounts payables to related companies, non-current                                                      | 3            | 349,204           | 388,767           | 429,968           |
| Other long-term provisions                                                                               | 17           | 1,057,472         | 1,058,737         | 965,690           |
| Deferred tax liabilities                                                                                 | 5            | 711,382           | 722,417           | 1,860,935         |
| Non-current provisions for employee benefits                                                             | 17           | 1,191,112         | 997,824           | 738,779           |
| Other non-current non-financial liabilities                                                              |              | <u>2,692</u>      | <u>65,183</u>     | <u>764</u>        |
| <b>Total non-current liabilities</b>                                                                     |              | <u>10,504,002</u> | <u>9,714,038</u>  | <u>8,147,686</u>  |
| <b>Total liabilities</b>                                                                                 |              | <u>15,747,829</u> | <u>13,810,653</u> | <u>11,170,527</u> |
| <b>EQUITY</b>                                                                                            |              |                   |                   |                   |
| Issued capital                                                                                           |              | 2,524,423         | 2,524,423         | 1,524,423         |
| Retained earnings                                                                                        |              | 1,329,392         | 1,294,157         | 1,244,163         |
| Other reserves                                                                                           | 19           | <u>675,403</u>    | <u>622,640</u>    | <u>1,792,729</u>  |
| Equity attributable to owners of parent                                                                  |              | 4,529,218         | 4,441,220         | 4,561,315         |
| Non-controlling interests                                                                                | 19           | <u>1,994</u>      | <u>2,007</u>      | <u>2,951</u>      |
| <b>Total equity</b>                                                                                      |              | <u>4,531,212</u>  | <u>4,443,227</u>  | <u>4,564,266</u>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                                      |              | <u>20,279,041</u> | <u>18,253,880</u> | <u>15,734,793</u> |

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

**CORPORACIÓN NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF INCOME**

For the periods between January 1<sup>st</sup> and December 31, 2010 and 2009  
(In thousands of US dollars - ThUS\$)

|                                                                                           | <u>Notes</u> | <b>01-01-2010</b><br><b>12-31-2010</b><br>ThUS\$ | <b>01-01-2009</b><br><b>12-31-2009</b><br>ThUS\$ |
|-------------------------------------------------------------------------------------------|--------------|--------------------------------------------------|--------------------------------------------------|
| Revenue                                                                                   | 20           | 16,065,946                                       | 12,379,137                                       |
| Cost of sales                                                                             |              | <u>(9,088,740)</u>                               | <u>(7,666,011)</u>                               |
| Gross profit                                                                              |              | 6,977,206                                        | 4,713,126                                        |
| Other income                                                                              | 21.a         | 141,473                                          | 308,363                                          |
| Distribution costs                                                                        |              | (14,994)                                         | (19,157)                                         |
| Administrative expenses                                                                   |              | (390,234)                                        | (323,836)                                        |
| Other expense                                                                             | 21.b         | (2,058,867)                                      | (1,458,441)                                      |
| Other Gains (losses)                                                                      |              | 28,040                                           | 14,750                                           |
| Finance income                                                                            |              | 35,559                                           | 27,666                                           |
| Finance costs                                                                             | 22           | (331,132)                                        | (318,757)                                        |
| Share of profit (loss) of associates and joint ventures accounted for using equity method | 8            | 303,395                                          | 310,651                                          |
| Exchange differences                                                                      | 24           | <u>(202,524)</u>                                 | <u>(266,531)</u>                                 |
| Profit (loss) before tax                                                                  |              | 4,487,922                                        | 2,987,834                                        |
| Income tax expense                                                                        | 5            | <u>(2,611,601)</u>                               | <u>(1,813,643)</u>                               |
| Profit (loss) from continuing operations                                                  |              | 1,876,321                                        | 1,174,191                                        |
| Profit (loss) from discontinued operations                                                |              | <u>-</u>                                         | <u>-</u>                                         |
| Profit                                                                                    |              | <u>1,876,321</u>                                 | <u>1,174,191</u>                                 |
| Profit (loss) attributable to:                                                            |              |                                                  |                                                  |
| Profit (loss) attributable to owners of parent                                            |              | 1,877,659                                        | 1,176,226                                        |
| Profit (loss) attributable to non-controlling interests                                   | 19           | <u>(1,338)</u>                                   | <u>(2,035)</u>                                   |
| Profit (loss)                                                                             |              | <u>1,876,321</u>                                 | <u>1,174,191</u>                                 |

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

**CORPORACIÓN NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the periods between January 1<sup>st</sup> and December 31, 2010 and 2009  
(In thousands of US dollars - ThUS\$)

|                                                                                                               | <u>Notes</u> | <u>01-01-2010</u><br><u>12-31-2010</u><br>ThUS\$ | <u>01-01-2009</u><br><u>12-31-2009</u><br>ThUS\$ |
|---------------------------------------------------------------------------------------------------------------|--------------|--------------------------------------------------|--------------------------------------------------|
| Profit (loss)                                                                                                 |              | 1,876,321                                        | 1,174,191                                        |
| <b>Components of other comprehensive income, before tax:</b>                                                  |              |                                                  |                                                  |
| <b>Exchange differences on translation</b>                                                                    |              |                                                  |                                                  |
| Gains (losses) on exchange differences on translation, before tax                                             |              | 490                                              | 2,426                                            |
| Other comprehensive income, before tax, exchange differences on translation                                   |              | 490                                              | 2,426                                            |
| <b>Cash flow hedges</b>                                                                                       |              |                                                  |                                                  |
| Gains (losses) on cash flow hedges, before tax                                                                |              | 111,508                                          | (2,442,860)                                      |
| Other comprehensive income (loss), before tax, cash flow hedges                                               |              | 111,508                                          | (2,442,860)                                      |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method |              | 136,560                                          | (246,779)                                        |
| Other comprehensive income (loss) before tax                                                                  |              | 248,558                                          | (2,687,213)                                      |
| <b>Income tax relating to components of other comprehensive income:</b>                                       |              |                                                  |                                                  |
| Income tax relating to cash flow hedges of other comprehensive income                                         | 5            | (63,560)                                         | 1,410,098                                        |
| Aggregated income tax relating to components of other comprehensive income                                    |              | (63,560)                                         | 1,410,098                                        |
| <b>Other comprehensive income (loss)</b>                                                                      |              | <b>184,998</b>                                   | <b>(1,277,115)</b>                               |
| <b>Total comprehensive income (loss)</b>                                                                      |              | <b>2,061,319</b>                                 | <b>(102,924)</b>                                 |
| <b>Comprehensive income attributable to</b>                                                                   |              |                                                  |                                                  |
| Comprehensive income, attributable to owners of parent                                                        |              | 2,062,657                                        | (100,889)                                        |
| Comprehensive income, attributable to non-controlling interest                                                |              | (1,338)                                          | (2,035)                                          |
| <b>Total comprehensive income (loss)</b>                                                                      |              | <b>2,061,319</b>                                 | <b>(102,924)</b>                                 |

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

**CORPORACIÓN NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS – DIRECT METHOD**

For the periods between January 1<sup>st</sup> and December 31, 2010 and 2009  
(In thousands of US (In thousands of US dollars - ThUS\$))

|                                                                                              | Notes | 01-01-2010<br>12-31-2010<br>ThUS\$ | 01-01-2009<br>12-31-2009<br>ThUS\$ |
|----------------------------------------------------------------------------------------------|-------|------------------------------------|------------------------------------|
| <b>Cash flows from (used in) operating activities:</b>                                       |       |                                    |                                    |
| Classes of cash receipts from operating activities                                           |       |                                    |                                    |
| Receipts from sales of goods and rendering of services                                       |       | 16,974,027                         | 11,671,870                         |
| Other cash receipts from operating activities                                                | 25    | 1,767,151                          | 1,520,165                          |
| Classes of cash payments                                                                     |       |                                    |                                    |
| Payments to suppliers for goods and services                                                 |       | (7,833,235)                        | (6,213,744)                        |
| Payments to and on behalf of employees                                                       |       | (1,784,501)                        | (1,190,622)                        |
| Other cash payments from operating activities                                                | 25    | (3,525,415)                        | (2,240,250)                        |
| Dividends received                                                                           |       | 179,532                            | 47,447                             |
| Income taxes refund (paid)                                                                   |       | (2,515,754)                        | (320,560)                          |
| Net cash flows from (used in) operating activities                                           |       | 3,261,805                          | 3,274,306                          |
| <b>Cash flows from (used in) investing activities:</b>                                       |       |                                    |                                    |
| Other cash payments to acquire interests in joint ventures                                   |       | (44,878)                           | (69,274)                           |
| Loans made to related companies                                                              |       | (71,839)                           | (13,349)                           |
| Purchases of property, plant and equipment                                                   |       | (2,309,484)                        | (1,680,532)                        |
| Interest received                                                                            |       | 12,716                             | 9,977                              |
| Other inflows (out flows) of cash                                                            |       | 109,927                            | 34,738                             |
| Net cash flows from (used in) investing activities                                           |       | (2,303,558)                        | (1,718,440)                        |
| <b>Cash flows from (used in) financing activities:</b>                                       |       |                                    |                                    |
| Proceeds from long-term borrowings                                                           |       | 1,687,500                          | 1,641,550                          |
| Proceeds from short-term borrowings                                                          |       | 699,886                            | 463,900                            |
| Total proceeds from borrowings                                                               |       | 2,387,386                          | 2,105,450                          |
| Repayments of borrowings                                                                     |       | (800,860)                          | (2,294,398)                        |
| Dividends paid                                                                               |       | (2,206,124)                        | (835,692)                          |
| Interest paid                                                                                |       | (237,686)                          | (251,347)                          |
| Other inflows (outflows) of cash                                                             |       | -                                  | 100,000                            |
| Net cash flows from (used in) financing activities                                           |       | (857,284)                          | (1,175,987)                        |
| Net increase (decrease) in cash and cash equivalents before effects of exchange rate changes |       | 100,963                            | 379,879                            |
| <b>Effects of exchange rate changes on cash and cash equivalents</b>                         |       |                                    |                                    |
| Effects of exchange rate changes on cash and cash equivalents                                |       | -                                  | -                                  |
| Net increase (decrease) in cash and cash equivalents                                         |       | 100,963                            | 379,879                            |
| Cash and cash equivalents at beginning of period                                             |       | 773,076                            | 393,197                            |
| Cash and cash equivalents at end of period                                                   |       | 874,039                            | 773,076                            |

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



**CORPORACION NACIONAL DEL COBRE DE CHILE**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the periods between January 1 and December 31, 2010 and 2009  
(In thousands of US dollars - ThUS\$)

|                                                                                                                 | Issued capital   | Exchange differences on transtation | Reserves for cash flow hedges | Other miscellaneous reserves | Other reserves     | Retained earnings |
|-----------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------|-------------------------------|------------------------------|--------------------|-------------------|
|                                                                                                                 | ThUS\$           | ThUS\$                              | ThUS\$                        | ThUS\$                       | ThUS\$             | ThUS\$            |
| <b>Equity at beginning of period 01/01/2009</b>                                                                 | 1,524,423        | -                                   | 28,404                        | 1,764,325                    | 1,792,729          | 1,244,163         |
| Increase (decrease) through changes in accounting policies                                                      | -                | -                                   | -                             | -                            | -                  | -                 |
| Increase (decrease) through corrections of errors                                                               | -                | -                                   | -                             | -                            | -                  | -                 |
| <b>Equity at beginning of period 01/01/2009</b>                                                                 | 1,524,423        | -                                   | 28,404                        | 1,764,325                    | 1,792,729          | 1,244,163         |
| Changes in equity                                                                                               |                  |                                     |                               |                              |                    |                   |
| Comprehensive Income                                                                                            |                  |                                     |                               |                              |                    |                   |
| Profit (loss)                                                                                                   |                  |                                     |                               |                              |                    | 1,176,226         |
| Other comprehensive income (loss)                                                                               |                  | 2,426                               | (1,045,923)                   | (233,618)                    | (1,277,115)        | -                 |
| Comprehensive income                                                                                            |                  |                                     |                               |                              |                    |                   |
| Issue of equity                                                                                                 | -                |                                     | -                             |                              |                    |                   |
| Dividends paid                                                                                                  |                  |                                     |                               |                              |                    | (1,254,759)       |
| Increase (decrease) through other contributions by owners                                                       | 1,000,000        | -                                   | -                             | -                            | -                  | -                 |
| Decrease (increase) through other distributions to owners                                                       | -                | -                                   | -                             |                              | -                  | -                 |
| Increase (decrease) through transfers and other changes                                                         | -                | -                                   | -                             | 107,026                      | 107,026            | 128,527           |
| Increase (decrease) through treasury shares transactions                                                        | -                |                                     | -                             | -                            |                    |                   |
| Increase (decrease) through changes in ownership interest in subsidiaries that do not result in loss of control |                  |                                     |                               |                              |                    |                   |
| <b>Total increase (decrease) in equity</b>                                                                      | <b>1,000,000</b> | <b>2,426</b>                        | <b>(1,045,923)</b>            | <b>(126,592)</b>             | <b>(1,170,089)</b> | <b>49,994</b>     |
| <b>Equity at end of period 12/31/2009</b>                                                                       | <b>2,524,423</b> | <b>2,426</b>                        | <b>(1,017,519)</b>            | <b>1,637,733</b>             | <b>622,640</b>     | <b>1,294,157</b>  |

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

|                                                                                                                 | Issued<br>capital | Exchange<br>differences on<br>translation | Reserves for<br>cash flow<br>hedges | Other<br>miscellaneous<br>reserves | Other reserves | Retained<br>earnings |
|-----------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------|-------------------------------------|------------------------------------|----------------|----------------------|
|                                                                                                                 | ThUS\$            | ThUS\$                                    | ThUS\$                              | ThUS\$                             | ThUS\$         | ThUS\$               |
| <b>Equity at beginning of period 01/01/2010</b>                                                                 | 2,524,423         | 2,426                                     | (1,017,519)                         | 1,163,733                          | 622,640        | 1,294,157            |
| Increase (decrease) through changes in accounting policies                                                      | -                 | -                                         | -                                   | -                                  | -              | -                    |
| Increase (decrease) through corrections of errors                                                               | -                 | -                                         | -                                   | -                                  | -              | -                    |
| <b>Equity at beginning of period 01/01/2010</b>                                                                 | 2,524,423         | 2,426                                     | (1,017,519)                         | 1,163,733                          | 622,640        | 1,294,157            |
| Changes in equity                                                                                               |                   |                                           |                                     |                                    |                |                      |
| Comprehensive Income                                                                                            |                   |                                           |                                     |                                    |                |                      |
| Profit (loss)                                                                                                   |                   |                                           |                                     |                                    |                | 1,877,659            |
| Other comprehensive income (loss)                                                                               |                   | 490                                       | 47,948                              | 136,560                            | 184,998        |                      |
| Comprehensive income                                                                                            |                   |                                           |                                     |                                    |                |                      |
| Issue of equity                                                                                                 | -                 |                                           |                                     |                                    |                |                      |
| Dividends paid                                                                                                  |                   |                                           |                                     |                                    |                | (1,875,509)          |
| Increase (decrease) through other contributions by owners                                                       | -                 | -                                         | -                                   | -                                  | -              | -                    |
| Decrease (increase) through other distributions to owners                                                       | -                 | -                                         | -                                   |                                    | -              | -                    |
| Increase (decrease) through transfers and other changes                                                         | -                 | -                                         | -                                   | (132,235)                          | (132,235)      | 33,085               |
| Increase (decrease) through treasury shares transactions                                                        | -                 | -                                         | -                                   | -                                  |                |                      |
| Increase (decrease) through changes in ownership interest in subsidiaries that do not result in loss of control |                   |                                           |                                     |                                    |                |                      |
| Total increase (decrease) in equity                                                                             | -                 | 490                                       | 47,948                              | 4,325                              | 52,763         | 35,235               |
| Equity at end of period 12/31/2010                                                                              | 2,524,423         | 2,916                                     | (969,571)                           | 1,642,058                          | 675,403        | 1,329,392            |

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

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### **I. GENERAL ASPECTS**

##### **1. Corporate Information**

Corporación Nacional del Cobre de Chile, Codelco (hereinafter referred to as “Codelco - Chile”, the “Corporation” or “the Company”), is the largest copper producer in the world. Its most important product is refined copper - primarily in the form of cathodes. The Corporation also produces copper concentrates, blister and anode copper and by-products such as molybdenum, anode slime and sulfuric acid. Codelco also manufactures wire rods, a semi-elaborated product that uses copper cathodes as raw material in Germany.

The Corporation trades its products based on a policy aimed at selling refined copper to manufacturers or producers of semi-elaborated products.

Codelco is registered under Securities Registry No. 785 of the Superintendency of Securities and Insurance (the “Superintendency”) and is subject to the supervision of said Superintendency. According to Article 10 of Law No. 20,392 (on new Corporate Governance of Codelco), such supervision will be on the same terms as publicly traded corporations, notwithstanding the provisions in Decree Law (D.L.) No. 1,349 of 1976, which created the Comisión Chilena del Cobre (“Chilean Copper Commission”).

The corporate domicile and headquarters of Codelco are located in Santiago de Chile, at 1270 Huérfanos, telephone number (56 2) 6903000.

Codelco Chile was formed as stipulated by D.L. No. 1,350 of 1976, which is the statutory decree of the Corporation. In accordance with the decree law, Codelco is a state-owned mining, industrial and commercial company, which is a separate legal entity with its own equity. Codelco - Chile currently carries out its mining business through its divisions Chuquicamata, Radomiro Tomic, Salvador, Andina, El Teniente and Ventanas. Also, in May 2008, Codelco - Chile started exploiting the deposit known as Gabriela Mistral whose mining operations are under the responsibility of its subsidiary Minera Gaby S.A., 100% owned by the Company. In 2010 the Company was authorized to invest in the operation of the new Division Ministro Hales Mine, whose estimated starting operating date is at the end of 2013. The Corporation also carries out similar activities in other mining deposits in association with third parties.

In accordance with letter e) of Article 10 of Law No. 20,392, Codelco is governed by its organic standards set forth in Decree Law No. 1,350 (D.L. No. 1,350) and that of its statutes, and in matters not covered by them and, insofar as they are compatible and do not go against the provisions of these rules, the rules that govern publicly traded corporations and the common laws as applicable to them.

In accordance with D.L. No. 1,350 Section IV related to the Company’s Exchange and Budget Regulations, Codelco’s financial activities are conducted following a budgeting system that is composed by an Operations Budget, an Investment Budget and a Debt Amortization Budget.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

The tax system applicable to Codelco's income is in accordance with Article 26 of D. L. No. 1,350, which refers to Decree Laws No. 824 on Income Tax of 1974 and Decree Law No. 2,398 (Article 2) of 1978, which are applicable. The Company's income is also subject to a tax in accordance with Law No. 20,026 of 2005 (Specific Mining Tax).

The Company is subject to Law No. 13,196 that requires the payment of a 10% tax over the foreign currency return on the export value of copper production, including its by-products.

Additionally, Codelco, as any company operating in Chile, is subject to Value Added Tax (VAT) Law in accordance with Decree Law No. 825 of 1974; and also to the duties and other taxes levying business activities carried out by companies in Chile. In accordance with the above, Codelco recovers VAT credit as an exporter.

The Corporation, in the development of its operation and investing activities, engages services, subject to Law No. 20,123 on subcontracting, which are executed by contractor companies with their own employees. The labor relationships inside such companies are of exclusive responsibility of each of these companies. Nevertheless, and in order to verify the compliance of the labor and social security regulations by the contractor companies, Codelco exercises the rights of information, withholding and payment in relation to the labor and social security obligations that such companies must comply with their employees.

The subsidiaries whose financial statements are included in these consolidated financial statements correspond to companies located in Chile and abroad, which are detailed in note II.2 e.

The associates correspond to companies located in Chile and abroad, which are detailed in note IV.8.

## **2. Bases of Presentation of the Consolidated Financial Statements**

### **Accounting Principles**

These consolidated financial statements are stated in thousands of US dollars and were prepared based on the accounting records kept by Codelco - Chile and its subsidiaries, and have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (hereinafter "IASB"), and were approved by the Board of Directors in the meeting held on March 23, 2011.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

These consolidated financial statements reflect the financial position of Codelco Chile and subsidiaries as of December 31, 2010 and 2009, and January 1, 2009, and also the results of their operations, changes in net equity and cash flows for the years ended in 2010 and 2009.

For statutory purposes, for the preparation of its consolidated financial statements during 2009 Codelco has used the accounting principles generally accepted in Chile ("Chilean GAAP"). The consolidated financial statements of Codelco as of December 31, 2009, filed with the Superintendency of Securities and Insurance and approved by the Board of Directors on February 22, 2010, were prepared in conformity with accounting principles generally accepted in Chile, which were considered as the previous accounting principles, as defined in IFRS 1, prior to the preparation of the opening consolidated financial statements under IFRS.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Critical Accounting Policies and Key Sources of Estimates

The application of the International Financial Reporting Standards requires the use of estimates and assumptions that affect the amounts of assets and liabilities reported at the date of financial statements and the amounts of income and expenses during the reporting period. The management of the Corporation will necessarily make judgments and estimates that could have a significant effect on the amounts presented in the financial statements according to IFRS. Likewise, changes in assumptions and estimates could have a significant impact on the financial statements in conformity with such standards. A summary of the key estimates and judgments used is as follows:

- a) **Useful Economic Lives of Property, Plant and Equipment** - The useful lives of the assets of property, plant and equipment that are used for calculating the depreciation are determined based on technical studies prepared by specialists (both internal and external). When there are indicators that could lead to changes in the estimated useful lives of such assets, these changes shall be performed by using technical estimates.

The studies shall consider the specific factors related to the use of the assets.

- b) **Ore Reserves** - The measurements of ore reserves are based on estimates of the ore resources that are economically exploitable, and reflect the technical considerations of the Corporation regarding the amount of resources that could be exploited and sold at prices exceeding the total cost associated with the extraction and processing.

The Corporation applies judgment in determining the ore reserves, and as such, possible changes in these estimates could significantly impact the estimates of net revenues over time. For such reason, these changes would lead modifications in the usage estimates of certain assets and of the amount of certain decommissioning and restoration costs.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

These estimates of reserves are based on methods and standards customary in the mining industry, which are supported by the historical experience and the assumptions of the Corporation regarding the production costs and the market prices.

The Corporation periodically reviews such estimates, supported by world class external experts, who certify the determined reserves.

- c) **Impairment of Assets** - The Corporation reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss in regard to the carrying amount. In the evaluation of the impairment, the assets are grouped in cash generating units ("CGU's") to which the assets belong. The recoverable amount of these assets or CGU's is calculated as the present value of the cash flows expected to be derived from such assets, considering a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of the assets is less than their carrying amount, an impairment loss exists.

The Corporation defines the CGUs and also estimates the timing and cash flows that such CGUs should generate. Subsequent changes in the grouping of the CGU, or changes in the assumptions supporting the estimates of the cash flows or the discount rate, could impact the carrying amounts of the corresponding assets.

The Corporation has assessed and defined that the CGUs are constituted at the level of each of its current operating divisions.

The review for impairment includes the subsidiaries and associates.

- d) **Provisions for Decommissioning and Site Restoration Costs** - An obligation to incur in decommissioning and site restoration costs when environmental disturbance is caused by the development or ongoing production of a mining property. Costs are estimated on the basis of a formal closure plan.

The costs arising from the installation of a plant or other site preparation works discounted at their net present value are provided for and capitalized at the beginning of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged to net income over the life of the mine, through depreciation of the asset. The depreciation is included in the operational costs, while the unwinding of the discount in the provision is included as finance costs.

The costs for restoration of site damages, which are created on an ongoing basis during production, are provided for at their net current values and charged to profit or loss for the year as extraction progresses.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

Decommissioning, site restoration and environmental provisions are provided for at the present value at the date such obligations are known, considering a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the related liabilities. The environmental costs are estimated by using also the work of external specialists and/or internal experts. The Corporation's management applies its judgment and experience to provide for and amortize these estimated costs over the useful life of the mine.

- e) **Provision for Employee Benefits** - Employee benefits cost for severance payments and health benefits for services rendered by the employees, are determined based on actuarial calculations by using the Projected Credit Unit Method, and are charged to profit or loss on an accrual basis.

The Corporation uses assumptions to determine the best estimate of these benefits. Such estimates, as well as the assumptions, are determined together with an external actuary. These assumptions include demographic assumptions, the discount rate and expected salary increases and the rotation levels, among others. Although the Corporation believes that the assumptions used are appropriate, a change in these assumptions could affect profit or loss.

- f) **Provisions for Open Invoices** - The Corporation uses information on future copper prices, through which it performs adjustments to its revenues and trade receivables, due to the conditions of its provisional invoicing. These adjustments are updated on a monthly basis.
- g) **Fair Value of the Derivatives and Other Instruments** - Management uses its criterion to elect an adequate and proper valuation method for the instruments that are not quoted in an active market. The Corporation applies customary valuation techniques used by other professionals in the industry. In the case of the derivative financial instruments, the assumptions are based on the quoted market rates, adjusted in conformity with the specific features of the instruments.
- h) **Lawsuits and Contingencies** - The Corporation assesses on an ongoing basis the probabilities of lawsuits and contingencies losses according to estimations performed by its legal counselors. In case management and its legal counselors believe that a favorable outcome will be obtained or when the results are uncertain and the lawsuits are still pending of resolution, no provisions are recognized.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### 2. Principal Accounting Policies

- a) **Period Covered** - The accompanying consolidated financial statements of Corporación Nacional del Cobre de Chile include:

- Statements of Financial Position as of December 31, 2010, December 31, 2009 and January 1<sup>st</sup>, 2009.
- Statements of Comprehensive Income for the periods ended on December 31, 2010 and 2009, respectively.
- Statements of Changes in Equity for the periods ended December 31, 2010 and 2009, respectively.
- Statements of Cash Flows for the periods ended December 31, 2010 and 2009, respectively.

- b) **Basis of Preparation** - The consolidated financial statements of the Corporation as December 31, 2010 have been prepared in conformity with IFRS, as issued by the IASB.

The statements of financial position as of December 31, 2009 and January 1, 2009 and the statements of comprehensive income, of net equity and of cash flows for the period ended December 31, 2009, included for comparative purposes, have been prepared in conformity with IFRS, on a consistent basis with the criteria used by the Company for the same period ended on December 31, 2010.

These consolidated financial statements have been prepared based on the accounting records kept by the Corporation.

- c) **Responsibility for the Information and Use of Estimates** - The Board of Directors of the Corporation has been informed regarding the information included in these financial statements and expressly states its responsibility for the consistent and reliable nature of the information incorporated in the consolidated financial statements as of December 31, 2010, for whose effects have been applied in full the IFRS principles and criteria as issued by the International Accounting Standards Board. These financial statements were approved by the Board of Directors at its meeting held on March 23, 2011.

- d) **Functional Currency** - The functional currency of Codelco is the US dollar, which is the currency of the primary economic environment in which the Corporation operates and the currency in which it receives its revenues. Transactions other than those in the Corporation's functional currency are translated at the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at closing exchange rates. Gains and losses from on translation are included in profit or loss within the line item "Exchange rate differences".



## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

The presentation currency of the consolidated financial statements of Codelco is the US dollar.

The functional currency of the subsidiaries, associates and jointly controlled entities, which is the same as Codelco, corresponds to the currency of the primary economic environment in which those entities operate and the currency in which they receive their revenues, as established in IAS 21. However, regarding those subsidiaries and associates that correspond only to an extension of the operations of Codelco (entities that are not self-sufficient and whose main transactions are performed with Codelco), the functional currency corresponds to the US dollar as this is the currency of Codelco.

When the indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions under which each entity operates.

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

- e) Basis of Consolidation** - The consolidated financial statements incorporates the financial statements of the Corporation and its subsidiaries.

In the consolidation process all significant balances and transactions between the consolidated companies have been fully eliminated, and the participation of the non-controlling interest has been recognized and presented as “Non-controlling Interest”. The consolidated financial statements take into account the elimination of intercompany balances, transactions and unrealized profit and loss between the consolidated companies, including foreign and local subsidiaries. The Companies incorporated in the consolidation are as follows:

| Taxpayer Number | Entity                                                | Country         | Functional currency | December 31, 2010    |          |         | December 31, 2009    | January 1st, 2009    |
|-----------------|-------------------------------------------------------|-----------------|---------------------|----------------------|----------|---------|----------------------|----------------------|
|                 |                                                       |                 |                     | Ownership percentage |          |         | Ownership percentage | Ownership percentage |
|                 |                                                       |                 |                     | Direct               | Indirect | Total   | Total                | Total                |
|                 |                                                       |                 |                     | %                    | %        | %       | %                    | %                    |
| Foreign         | Chile Copper Limited                                  | England         | GBP                 | 100.000              | -        | 100.000 | 100.000              | 100.000              |
| Foreign         | Codelco Services Limited                              | England         | GBP                 | -                    | 100.000  | 100.000 | 100.000              | 100.000              |
| Foreign         | Codelco Group USA Inc.                                | United States   | USD                 | 100.000              | -        | 100.000 | 100.000              | 100.000              |
| Foreign         | Codelco Metals Inc.                                   | United States   | USD                 | -                    | 100.000  | 100.000 | 100.000              | 100.000              |
| Foreign         | Copper Technology Investment Inc.                     | United States   | USD                 | -                    | -        | -       | -                    | 100.000              |
| Foreign         | Semi Solid Metal Investors LLC.                       | United States   | USD                 | -                    | -        | -       | -                    | 100.000              |
| Foreign         | Corporación del Cobre Inc.                            | United States   | USD                 | -                    | -        | -       | -                    | 100.000              |
| Foreign         | Codelco International Limited                         | Bermuda         | USD                 | 100.000              | -        | 100.000 | 100.000              | 100.000              |
| Foreign         | Codelco Technologies Ltd.                             | Bermuda         | USD                 | -                    | 100.000  | 100.000 | 100.000              | 100.000              |
| Foreign         | Codelco do Brasil Mineracao                           | Brazil          | BRL                 | -                    | 100.000  | 100.000 | 100.000              | 100.000              |
| Foreign         | Codelco Kupferhandel GmbH                             | Germany         | EURO                | 100.000              | -        | 100.000 | 100.000              | 100.000              |
| Foreign         | Metall Agentur GmbH                                   | Germany         | EURO                | -                    | 100.000  | 100.000 | 100.000              | 100.000              |
| Foreign         | Ecometales Ltd.                                       | Anglononmandars | USD                 | -                    | 100.000  | 100.000 | 100.000              | 100.000              |
| 59.087.530-9    | Ecometales Ltd. Agencia en Chile                      | Chile           | USD                 | -                    | 100.000  | 100.000 | 100.000              | 100.000              |
| 76.561.210-1    | Mining Information Communications and Monitoring S.A. | Chile           | USD                 | 66.000               | -        | 66.000  | 66.000               | 66.000               |
| 78.712.170-5    | Compañía Minera Picacho (SCM)                         | Chile           | USD                 | 99.990               | 0.010    | 100.000 | 100.000              | 100.000              |
| 78.860.780-6    | Compañía Contractual Minera Los Andes                 | Chile           | USD                 | 99.970               | 0.030    | 100.000 | 100.000              | 100.000              |
| 76.063.022-5    | Inca de Oro S.A.                                      | Chile           | USD                 | 79.740               | 20.260   | 100.000 | 100.000              | -                    |
| 79.566.720-2    | Isapre Chuquicamata Ltda.                             | Chile           | CLP                 | 98.300               | 1.700    | 100.000 | 100.000              | 100.000              |
| 79.681.920-0    | Sociedad Elaboradora de Cobre Chilena Ltda.           | Chile           | CLP                 | -                    | -        | -       | 100.000              | 100.000              |
| 81.767.200-0    | Asociación Garantizadora de Pensiones                 | Chile           | CLP                 | 96.690               | -        | 96.690  | 96.690               | 96.690               |
| 88.497.100-4    | Clínica San Lorenzo Ltda.                             | Chile           | CLP                 | 99.900               | -        | 99.900  | 99.950               | 99.950               |
| 76.521.250-2    | San Lorenzo Institución de Salud Previsional Ltda.    | Chile           | CLP                 | -                    | 99.990   | 99.900  | 100.000              | 100.000              |
| 89.441.300-K    | Isapre Río Blanco Ltda.                               | Chile           | CLP                 | 99.990               | 0.010    | 100.000 | 100.000              | 100.000              |
| 96.817.780-K    | Ejecutora Hospital del Cobre Calama S.A.              | Chile           | USD                 | 99.900               | 0.010    | 99.910  | 100.000              | 100.000              |
| 96.819.040-7    | Complejo Portuario Mejillones S.A.                    | Chile           | USD                 | 99.990               | 0.010    | 100.000 | 100.000              | 100.000              |
| 96.854.500-0    | Instituto de Innovación en Minería y Metalurgia S.A.  | Chile           | USD                 | 99.930               | -        | 99.930  | 99.930               | 99.930               |
| 96.876.140-4    | Santiago de Río Grande S.A.                           | Chile           | USD                 | 99.990               | 0.010    | 100.000 | 100.000              | 100.000              |
| 96.991.180-9    | Biosigma S.A.                                         | Chile           | USD                 | 66.670               | -        | 66.670  | 66.670               | 66.670               |
| Foreign         | Biosigma Bermudas Ltda. (Bermudas)                    | Bermuda         | USD                 | -                    | 66.670   | 66.670  | 66.670               | 66.670               |
| 99.569.520-0    | Exploraciones Mineras Andinas S.A.                    | Chile           | USD                 | 99.900               | 0.100    | 100.000 | 100.000              | 100.000              |
| 99.573.600-4    | Clínica Río Blanco S.A.                               | Chile           | CLP                 | 99.000               | 1.000    | 100.000 | 100.000              | 100.000              |
| 76.064.682-2    | Centro de Especialidades Médicas Río Blanco Ltda.     | Chile           | CLP                 | 99.000               | 1.000    | 100.000 | 100.000              | -                    |
| 76.685.790-6    | Minera Gaby S.A.                                      | Chile           | USD                 | 99.900               | 0.100    | 100.000 | 100.000              | 100.000              |
| 77.773.260-9    | Sociedad de Inversiones Copperfield Ltda.             | Chile           | USD                 | 99.990               | 0.010    | 100.000 | 100.000              | 100.000              |
| 76.883.610-8    | Energía Minera S.A.                                   | Chile           | USD                 | 99.000               | 1.000    | 100.000 | 100.000              | 100.000              |
| 76.883.530-6    | Termoeléctrica Farellones S.A.                        | Chile           | USD                 | -                    | -        | -       | 100.000              | 100.000              |
| 76.024.442-2    | Ecosea Farming S.A.                                   | Chile           | USD                 | -                    | -        | -       | -                    | 90.000               |
| 76.043.396-9    | Innovaciones en Cobre S.A.                            | Chile           | USD                 | 0.100                | 99.900   | 100.000 | 100.000              | 100.000              |
| 76.082.774-6    | Inversiones Tocopilla 2B S.A.                         | Chile           | USD                 | 99.999               | 0.010    | 100.009 | -                    | -                    |
| 76.082.158-6    | Inversiones Mejillones 2 S.A.                         | Chile           | USD                 | 34.800               | 65.200   | 100.000 | -                    | -                    |
| 70.905.700-6    | Fusat (Special Purpose Entity)                        | Chile           | CLP                 | -                    | -        | -       | -                    | -                    |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

For the purposes of these financial statements, subsidiaries, associates, acquisitions and disposals and jointly controlled entities are defined as follows:

- **Subsidiaries** - A subsidiary is an entity over which the Corporation has power to govern its operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all assets, liabilities, revenues, expenses and cash flows of Codelco and its subsidiaries, after eliminating all inter-company balances and transactions. For partly owned subsidiaries, the net assets and the net earnings attributable to the minority shareholders are presented as "Non-controlling interests" in the consolidated statements of financial position and consolidated statement of income.

Likewise, on consolidation, the Corporation incorporates those entities where does not hold any direct or indirect ownership interest but represent a special purpose entity, in accordance with the criteria established in SIC Interpretation 12, Consolidation - Special Purpose Entities.

- **Associates** - An associate is an entity over which Codelco is in the position to exercise significant influence, but not control or jointly control, through the power to participate in the financial and operating policy decisions of that entity.

Codelco's share of the net assets of such entities is included in the consolidated financial statements by using the equity method. This requires recording the initial investment at cost and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Codelco's share in the results of the associates, less any impairment of goodwill and any other changes in the associate's net assets.

- **Acquisitions and Disposals** - The results of businesses acquired are incorporated in the consolidated financial statements from acquisition date; the results of businesses sold during the period are incorporated in the consolidated financial statements up to the effective date of disposal. Gains or losses from the disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the ownership interest which has been sold.
- **Jointly Controlled Entities** - The entities that qualify as jointly controlled entities, in which there exists joint control over the operating and financial decisions, are accounted for by using the equity method.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

- **Special Purpose Entities (SPE's)** - The substance of the relationship between Codelco and Fundación de Salud El Teniente (FUSAT), indicated that such entity is controlled by Codelco. As such, the consolidated financial statements of FUSAT are incorporated to the consolidation of Codelco. The consolidated financial statements of the FUSAT include the following entities:

| ENTITY                                                  | Country | Ownership percentage |                      |                    |
|---------------------------------------------------------|---------|----------------------|----------------------|--------------------|
|                                                         |         | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|                                                         |         | %                    | %                    | %                  |
| Centro de Servicios Médicos Porvenir Ltda.              | Chile   | 99.00                | 99.00                | 99.00              |
| Inmobiliaria Centro de Especialidades Torre Médica S.A. | Chile   | 75.09                | 75.09                | 75.09              |
| Inmobiliaria e Inversiones Río Cipreces Ltda.           | Chile   | 99.99                | 99.99                | 99.99              |
| Prestaciones de Servicios de la Salud Intersalud Ltda.  | Chile   | 99.00                | 99.00                | 99.00              |
| Institución de Salud Previsional Fusat Ltda.            | Chile   | 99.69                | 99.69                | 99.69              |

- f) **Foreign Currency Transactions** - Monetary assets and liabilities denominated in foreign currency have been translated into U.S. dollars at the closing exchange rate of the period.

At the reporting period-end, monetary assets and liabilities denominated in currency other than the functional currency, indexed in unidades de fomento (UF or inflation index-linked units of account) (12/31/2010: Ch\$21,455.55; 12/31/2009: Ch\$20,942.88; 1/1/2009: Ch\$21,452.57), are translated into U.S. dollars at the closing exchange rates.

Income and expenses denominated in Chilean pesos have been translated into U.S. dollars at the exchange rate at the date when the transaction was recorded in the accounting records.

Exchange differences are recognized in net income in accordance with IFRS.

The financial statements of the subsidiaries, associates and jointly controlled entities, whose functional currency is different from the presentation currency of Codelco, are translated using the following procedures:

- Assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income or separate income statement presented shall be translated at average exchange rates of the reporting period.

All resulting exchange differences are recognized as a separate component of net equity.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The exchange rates used in each period are as follows:

| Ratio       | Year-end exchange rates |                   |                 |
|-------------|-------------------------|-------------------|-----------------|
|             | December 31, 2010       | December 31, 2009 | January 1, 2009 |
| US\$ / CLP  | 0.00214                 | 0.00197           | 0.00157         |
| US\$ / GBP  | 1.54059                 | 1.60617           | 1.44279         |
| US\$ / BRL  | 0.60107                 | 0,57372           | 0.42689         |
| US\$ / EURO | 1.32802                 | 1.43328           | 1.41223         |

- g) Offsetting Balances and Transactions:** As a general standard, assets and liabilities, income and expenses, are not offset in the financial statements, except for those cases in which offsetting is required or is allowed by some standard and the presentation is a reflection of the transaction.

Income or expenses arising from transactions, which, for contractual or legal reasons, consider the possibility of offsetting and which the Corporation intends to liquidate for their net value or realize the assets and pay the liabilities simultaneously, are stated net in the statement of income.

- h) Property, Plant and Equipment and Depreciation -** The items of property, plant and equipment are initially recognized at cost. After their initial recognition, they are recorded at cost, less any accumulated depreciation and any accumulated impairment losses.

The costs of the items of property, plant and equipment related to the extension, modernization or improvement representing an increase of the productivity, capacity or efficiency or an increase of the useful life of the assets is capitalized as cost of the corresponding assets.

Furthermore, the investments in assets acquired under the method of lease contracts with purchase options that meet the characteristics of a financial lease are included in this item. These items are not legally owned by the Corporation until the corresponding purchase option is exercised.

The items included in property, plant and equipment are depreciated in accordance with the straight-line method over their economic useful life, which are summarized in the following table:

| Item                                        | Minimum useful life | Maximum useful life |
|---------------------------------------------|---------------------|---------------------|
| Buildings                                   | 15 years            | 50 years            |
| Plant and Equipment                         | 2 years             | 35 years            |
| Fixtures and Fittings                       | 2 years             | 15 years            |
| Motor Vehicles                              | 5 years             | 25 years            |
| Mining operations                           | 20 years            | 35 years            |
| Construction in progress (Mine development) | 1 year              | 5 years             |
| Land improvements                           | 10 years            | 35 years            |
| Others                                      | 57 months           | 293 months          |

The assets maintained under financial lease are depreciated during the estimated period of the lease contract or in accordance with the useful life of the assets, whichever is lower.

The estimated useful lives, the residual values and the depreciation method are reviewed at each year end, recording prospectively the effect of any change in estimates.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

The profit or loss from the disposal or withdrawal of an asset is calculated as the difference between the price obtained in the disposal and the value recorded in the ledgers recognizing the charge or credit to net income for the year.

Work in progress includes the amounts invested in the construction of assets of property, plant and equipment and in mining development projects. Work in progress is transferred to assets in operation once the testing period has terminated and when they are available for their use, and start to be depreciated as of such moment.

The ore deposits owned by the Corporation are recorded in the accounting records at US\$1 (one US dollar) and the economic value of these deposits differs from the accounting value.

Certain items of property, plant and equipment were, at the transition date to IFRS, recorded at fair value and this fair value was used as their deemed cost, in conformity with the optional exemption established in IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1).

Borrowing costs that are directly attributable to the acquisition or construction of assets that require a substantial period of time before they are ready for their use or sale will be considered as part of the cost of items of property, plant and equipment.

- i) **Impairment of Property, Plant and Equipment and Intangible Assets** - The items of property, plant and equipment and the intangible assets of definite useful life are reviewed for impairment, in order to verify whether there is any indication that the carrying value cannot be recovered. If such an indicator exists, the recoverable amount of the assets is estimated to determine the extent of the impairment loss. Where the asset does not generate cash flows independently from other assets, Codelco estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

For such purposes, each division of the Corporation has been defined as a cash generating unit.

The measurement of impairment includes the subsidiaries and associates.

The recoverable amount of an asset will be the higher of the fair value less costs to sell the asset and its value in use. When evaluating the value in use, the estimated future cash flows are discounted using an interest rate, before taxes, that shows the market evaluations corresponding to the time value of money and the specific risks of the asset, for which the future cash flow estimates have not been adjusted.

If the recoverable value of an asset or cash generating unit is estimated to be less than its carrying amount, an impairment loss is immediately recognized reducing the carrying amount up to its recoverable amount with charge to net income. In case of a subsequent reversal of the impairment, the carrying amount increases to the reviewed estimate of the recoverable amount, but only to the point that it does not exceed the carrying amount that would have been determined, if no impairment

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

would have been recognized previously. A reversal is recognized as a decrease in the charge for depreciation for the year.

For cash generating units (CGU's), the future cash flow estimates are based on the estimates of future production levels, future prices of the basic products and the future production costs. IAS 36 "Impairment of Assets" includes a series of restrictions to the future cash flows that can be recognized regarding the restructurings and future improvements related to expenses. When calculating the value in use, it is also necessary to base the calculations on the current exchange rates at the moment of the measurement.

- j) **Exploration, Mine Development and Mining Operations Costs and Expenses** - The Corporation has defined an accounting criterion for each of these costs and expenses.

Development expenses of deposits in exploitation whose purpose is to maintain the production levels are charged to net income when incurred.

Exploration and drillings of deposits, expenses include the expenses destined to locate mineralized areas to determine their possible commercial exploitation and are charged to net income when incurred.

Pre-operating and mine development expenses (PP&E) incurred during the execution of a project and until its start up are capitalized and amortized in relation to the future production of the mine. These costs include extraction of waste material, constructing the mine's infrastructure and other works carried out prior to the production phase.

Finally, the costs for the delimitation of new areas or deposit areas in exploitation and of mining operations (PP&E), are recorded in property, plant and equipment and are charged to income during the period in which the benefits are obtained.

- k) **Income Taxes and Deferred Taxes** - Codelco and its Chilean subsidiaries record Income Tax based on the net taxable income determined as per the standards established in the Income Tax Law and Article 2 of the D.L. 2,398, as well as the specific tax to the mining activity referred to in Law 20,026 of 2005. Its foreign subsidiaries record it according to the tax standards of each country. The deferred taxes generated by temporary differences and other events giving rise to differences between the accounting and tax base of assets and liabilities are recorded according to IAS 12 "Income Taxes".

In addition, a deferred tax is recognized for the net income of subsidiaries, associates and special purpose entities, originated by the withholding taxes on remittances of dividends paid by such companies to the Corporation.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- l) **Inventories** - Inventories are stated at cost, which does not exceed their net realizable value. The net realizable value represents the estimated sales price less all finishing costs and the marketing, sales and distribution expenses. The costs have been determined according to the following methods:
- **Finished Products and Products in Process:** These inventories are stated at average production cost, according to the absorption costing method, including labor and the depreciation of the fixed assets, the amortization of the intangible assets and the indirect expenses of each period.
  - **Materials in Warehouse:** These inventories are stated at acquisition cost and the Corporation determines a provision for obsolescence considering the permanence in stock of those slow moving materials in the warehouse.
  - **Materials in Transit:** These inventories are stated at cost incurred until the period-end date. Any difference, due to the estimate of a lower net realizable value of the inventories, in relation to their accounting value, is adjusted with a charge to net income.
- m) **Dividends** - The payment obligation of the net revenues presented in the financial statements, as determined in Article 6 of D.L. 1,350, is recognized based on the accrued payment obligation.
- n) **Personnel Benefits** - Codelco recognizes provisions for personnel benefits when there is a current obligation as a result of the services provided.

The contract conditions stipulate, subject to the compliance of certain conditions, the payment of a termination indemnity when an employment contract ends. In general, this corresponds to the proportion of a month per year of service and considering the components of the final remunerations which are contractually defined as the basis for the indemnity. This benefit has been defined as a long-term benefit.



## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

On the other hand, Codelco has agreed to post-retirement health plans with certain employees which are paid according to the fixed percentage over the monthly tax base of the employees covered by this agreement. This benefit has been defined as a long-term post-retirement health benefit.

The severance payment obligation and the post-retirement health plans are calculated in accordance with valuations performed by an independent actuary, using the projected unit credit method, which are updated on a regular basis. The obligation recognized in the statement of financial position represents the net present value of the severance payment obligation and the health benefit. The actuarial gains and losses are recognized immediately in the statement of comprehensive income within the operating cost.

Management uses assumptions to determine the best estimate of these benefits. Such assumptions include an annual discount rate, the expected increases in the remunerations and future permanence, among other.

The Corporation in accordance with its operating optimization programs to reduce costs and increase labor productivity by incorporating new current technologies and/or practical management best practices has established employee retirement programs by means of related addenda to employees contracts or collective bargaining agreements with benefits that encourage employees to retire. Accordingly, the required provisions are established based on the accrued obligation at current value.

- o) Provisions for Dismantling and Restoration Costs** - An obligation arises when incurred in dismantling and restoration cost when an alteration is generated caused by a mining activity (in development or in production). The costs are estimated based on a formal closure plan and are subject to regular reviews.

The costs arising from the obligation of dismantling the installation of a plant or other works for the preparation of the site, discounted at their net present value, are accrued and capitalized at the beginning of each project, as soon as the obligation to incur in such costs is originated.

These dismantling costs are stated in net income through the depreciation of the asset that gave rise to such cost and the use of the provision when the dismantling takes place. The subsequent changes in the estimates of the liabilities related to dismantling are added to or deducted from the costs of the related assets in the period in which the adjustment is made.

The restoration costs are accrued at their net present value against operating income and the use of the provision is made in the period in which the restoration works are performed. The changes in the measurement of the liability related to the location of the mining activity are recorded in the operating income.

The effects of the update of the liability, due to the discount rate and/or time, are recorded as a financial expense.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- p) **Leases** - Leases are classified as financial leases when the lease transfers substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The lease payments under operating leases are recognized as expenses over the lease term. Assets acquired under financial leases are initially recognized as net income at the lower of the fair value and the present value of the minimum lease payments discounted at the implicit interest rate of the contract. Interest is charged within financial expenses, at a constant interest rate, in the same depreciation period over the useful life the asset.

The service and supply contracts that meet the conditions established in IFRIC 4, *Determining whether an Arrangement Contains a Lease* are recorded as a financial or operating lease contract, as appropriate (IFRIC = International Financial Reporting Interpretations Committee).

- q) **Revenue Recognition** - Revenues are recorded when the ownership rights and obligations have been substantially transferred to the purchaser, according to the shipment or dispatch of the products, in conformity with the agreed conditions and are subject to the variations related to the content and/or sales price at their liquidation date.

The sales contracts include a provisional price at the shipment date, whose final price is based on the price of the London Metal Exchange ("LME"). This final price will be fixed on the dates indicated in the contracts. The revenues at provisional prices are mark-to-market adjusted and are charge in net income.

The sales in the national market are recorded in conformity with the regulations that govern domestic sales as indicated in Articles 7, 8 and 9 of Law No. 16,624, modified by Article 15 of Decree Law No. 1,349 of 1976, on the determination of the sales price for the internal market.

As indicated in the note related to the hedging policies in the metal futures market, the Corporation performs operations in the futures market. The net results of these contracts are added to or discounted from the sales revenues.

- r) **Derivative Contracts** - Codelco uses derivative financial instruments to reduce the risk of fluctuations of the sales prices of its products from exchange rates and interest rates.

The derivatives are initially recognized at fair value at the date on which the derivative is entered into and subsequently updated at fair value at each reporting date.

The effective part of the changes in fair value of the derivatives that are allocated as "effective cash flow hedges", is recognized directly in equity, net of taxes, in the item "Cash flow hedge reserves", while the ineffective part is recorded in net income. The amount recognized in net equity is not transferred to the income statement account until the results of the hedged operations are recorded in the income statement or until the maturity date of such operations.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

A hedge is considered highly effective when the changes in fair value or in the cash flows of the underlying attributable to the hedged risk, are offset with the changes in the fair value or in the cash flows of the hedge instruments, with effectiveness between a range of 80% - 125%. The corresponding unrealized profit or loss is recognized in comprehensive income for the period, only in those cases in which the contracts are liquidated or when they no longer comply with hedging characteristics.

The total fair value of the hedge derivatives is classified as a non-current asset or liability, if the remaining maturity of the hedged item is greater than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is lower than 12 months.

All derivatives designated as hedge instruments are classified as current or non-current assets or liabilities, respectively, depending on the maturity date of the derivative.

The derivative contracts entered into by the Corporation are originated by the application of the risk hedge policies indicated below, and are recorded as indicated for each case:

- *Hedging Policies for Exchange Rates and Interest Rates*

The Corporation enters into exchange rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transactions are made in. It has also contracted interest rate hedge transactions to cover fluctuations of interest rates for future obligations denominated in US dollars. According to the policies of the Board of Directors these operations are only performed when there is a balance (asset or liability) or an existing flow supporting it, and not for investment or speculative reasons.

The results of the exchange rate hedge operations are recorded at the maturity or liquidation date of such contracts.

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

- *Hedging Policies in the Futures Metal Markets*

In accordance with the policies approved by the Board of Directors the Corporation entered into contracts in order to hedge future metal prices, backed by physical production, in order to minimize the inherent risks in price fluctuations.

The hedging policies seek on the one hand to protect the expected cash flows from the sale of products by fixing the prices for a portion of future production, and on the other hand to adjust physical contracts to its commercial policy, when necessary.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

When the sales agreements are fulfilled and the future contracts are settled, income from the sales and futures operations are offset.

The results of these hedging transactions are recorded at the settlement date of the hedging operations, as part of the sales revenue of the products.

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

- *Embedded Derivatives*

The Corporation has established a procedure that allows evaluating the existence of embedded derivatives in financial and non-financial contracts. Where there is an embedded derivative, and if the host contract is not recorded at fair value, the procedure determines whether the characteristics and risks of the embedded derivative are not closely related to the host contract, in which case it requires a separate recording.

The procedure consists in an initial characterization of each contract that allows to distinguish those in which an embedded derivative could exist. In such case, such contract is submitted to a more in-depth analysis. If as a result of this evaluation it is determined that the contract has an embedded derivative that needs to be recorded separately, it is valued and the movements in its fair value are recorded in comprehensive income in the consolidated financial statements.

- s) **Financial Information per Segment** - For the purposes of IFRS 8, *Operating Segments* it has been defined that the segments are determined according to the Operating Divisions, adding Yacimiento Gabriela Mistral operation, which make up Codelco. Income and expenses of headquarters are distributed in the defined segments.
- t) **Presentation of Financial Statements** - For the purposes of IAS 1, *Presentation of the Financial Statements*, the Corporation establishes the presentation of its statement of financial position classified in "current and non-current" and of its statements of income in conformity with the "by function" method and its cash flow through the direct method.
- u) **Current and Non-Current Financial Assets** - The Corporation determines the classification of its investments upon initial recognition and reviews these at each closing date. This classification depends on the purpose for which such investments were acquired.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

In this section the following categories are observed:

- *Financial Assets at Fair Value through Profit or Loss:*

This category includes those financial assets acquired for trading or sale in the short term. Their initial and subsequent recognition is performed at fair value, which is obtained as of the observable date in the market. The gains and losses from the variations in the fair value are included in the net income for the period.

- *Loans Granted and Accounts Receivable:*

These correspond to financial assets with fixed or determined payments, and which are not quoted in an active market. They arise when the Corporation provides - for valuable consideration - cash, goods or services directly to a debtor without the intention of negotiating the accounts receivable that is generated by the transaction. Its initial recognition is at fair value which includes the transaction costs that are directly attributed to the acquisition or issuance of it. Subsequent to the initial recognition these are stated at amortized cost, recognizing in the income statement the accrued interest according to the effective interest rate and the possible losses in the value of these assets.

A loss in value of the financial assets stated at amortized cost is caused when there is objective evidence that the Corporation will not be able to recover all the amounts in accordance with the original terms.

The amount of the loss in value is the difference between the carrying amount and the net present value of the future cash flows discounted at the effective interest rate and it is recognized as an expense in the income statement.

If in subsequent periods there is evidence of a recovery in the value of the financial asset stated at amortized cost, the recognized impairment loss will be reversed as long as it does not generate an amount in the financial asset ledgers that exceeds the one recorded prior to the loss. The accounting of the reversal is recognized in net income for the period.

Finally, an account receivable is not considered recoverable when there are situations such as the dissolution of the company, the lack of identifiable assets for its execution or a legal pronouncement.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

- *Available-for-Sale Financial Assets*

Financial assets available for sale are non-derivative financial assets designated specifically in this category, or not classified in any other category. They are included in non-current assets unless Management intends to dispose of the investment in the following 12 months after the date of the Statement of Financial Position.

- v) **Financial Liabilities** - Financial liabilities are recognized initially at fair value, net of the incurred transaction costs. As the Corporation does not own financial liabilities held for trading, subsequent to their initial recognition, the financial liabilities are valued at amortized cost, using the method of the effective interest rate, recognizing the interest expenses based on the effective profitability.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or when appropriate, a shorter period when the associated liability has a prepayment option that is considered to be exercised.

The trade accounts payable and other payables are financial liabilities that do not explicitly accrue interest and are recorded at their nominal value.

The financial liabilities are derecognized when the liabilities are paid or expire.

- w) **Provisions for Doubtful Debts** - The Corporation maintains an provisions for doubtful debts, based on the experience and analysis of Management regarding the portfolio of trade debtors and the aging of the entries.
- x) **Intangible Assets** - Intangible assets are recorded at the value of actual disbursements. Amortization, were appropriate, is recognized in accordance with IAS 38.

Intangible assets are amortized using the straight-line method over their economic useful life as follows:

| Item                    | Minimum useful life | Maximum useful life |
|-------------------------|---------------------|---------------------|
| Other intangible assets | 17 years            | 19 years            |

The internally generated computer systems using the Company's own human resources and materials are charged to net income in the period in which they are incurred.

- y) **Statement of Cash Flows** - For the purposes of preparing the statement of cash flows, the Corporation has defined the following:

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

Cash and cash equivalents include cash on hand, time deposits in credit institutions and other short-term investments of great liquidity with an original maturity of three months from their acquisition date. In the statement of financial position the bank overdrafts are classified as external resources in current liabilities.

**Operating Activities:** These are the activities that constitute the main source of ordinary income of the Corporation, as well as other activities that cannot be classified as investment or financing activities.

**Investing Activities:** These correspond to activities of acquisition, sale or disposal through other methods of long-term assets and other investments not included in cash and cash equivalents.

**Financing Activities:** These are activities that cause changes in the size and composition of the net equity and of the financial liabilities.

- z) **Law No. 13,196** - The amount for this concept is presented in the statement of income in the item other expenses, by function.
- aa) **Cost of Sales** - Cost of sales is determined according to the absorption cost method, including the direct and indirect costs, depreciation, amortization and any other expenses associated with the production process.
- ab) **Environment** - The Corporation adheres to the principles of sustainable development, which combines the economic development while safekeeping the environment and the health and safety of its collaborators. The Corporation recognizes that these principles are key for the wellbeing of its collaborators, the care of its environment and to succeed in its operations.
- ac) **Classification of Current and Non-Current Balances** - In the consolidated statement of financial position, the balances are classified according to their maturities, that is, as current those with a maturity equal or inferior to twelve months and as non-current those with a greater maturity. Where there are obligations whose maturity is less than twelve months, but whose long-term refinancing is insured upon decision of the Company, through credit agreements available unconditionally with long-term maturity, these could be classified as non-current liabilities.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

**ad) Reclassification-** The figures of cost of sale and administrative expenses of consolidated statement of income of 2009 have been reclassified to be comparative with 2010 figures.



## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### 3. New Accounting Pronouncements

As of the issuance date of these consolidated financial statements, the following IFRS and IFRIC interpretations have been issued by the IASB, but it was not obligatory to apply them<sup>1</sup>:

| <b>New IFRS</b>                                                                                                                                              | <b>Mandatory application date</b>                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| IFRS 9, <i>Financial Instruments</i>                                                                                                                         | Annual periods beginning on or after January 1, 2013  |
| <b>Amendments to IFRS</b>                                                                                                                                    | <b>Mandatory application date</b>                     |
| IFRS 1 (Revised) - First Time Adoption of International Financial Reporting Standards- Removal of Fixed Dates for First-time Adopter - Severe Hyperinflation | Annual periods beginning on or after July 1, 2011     |
| IAS 12 - Deferred Taxes - Recovery of Underlying Assets                                                                                                      | Annual periods beginning on or after January 1, 2012  |
| IAS 24, <i>Related Party Disclosures</i>                                                                                                                     | Annual periods beginning on or after January 1, 2011  |
| IAS 32, <i>Classification of Rights Issue</i>                                                                                                                | Annual periods beginning on or after February 1, 2010 |
| IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets                                                                                   | Annual periods beginning on or after July 1, 2010     |
| IFRS 9, Financial Instruments: Additions to IFRS 9 for Financial Liability Accounting                                                                        | Annual periods beginning on or after January 1, 2013  |
| Improvements to IFRS May 2010 - set of amendments to seven International Financial Reporting Standards                                                       | Annual periods beginning on or after January 1, 2011  |
| <b>New Interpretations</b>                                                                                                                                   | <b>Mandatory application date</b>                     |
| IFRIC 19, Extinguishing financial liabilities with equity instruments                                                                                        | Annual periods beginning on or after July 1, 2010     |
| <b>Amendments to Interpretations</b>                                                                                                                         | <b>Mandatory application date</b>                     |
| IFRIC 14 - <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>                                                   | Annual periods beginning on or after January 1, 2011  |

<sup>1</sup> IAS, International Accounting Standards; IFRS, International Financial Reporting Standards; IFRIC, International Financial Reporting Interpretation Committee

The Management early applied the Amendment to IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets in these financial statements.

Notwithstanding the above, the Management believes that these standards, amendments and interpretations, will be adopted in the consolidated financial statements of the Corporation in the respective years, and that their adoption will not have a significant impact in the financial statements of Codelco in the year of their initial application.

### III. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### 1. First Time Adoption of IFRS

- a) **Basis of Transition to IFRS** - Until December 31, 2009, Codelco Chile and subsidiaries prepared their financial statements in conformity with accounting principles generally accepted in Chile and standards and instructions issued by the Superintendency of Securities and Insurance.

As per the above stated, the Corporation established January 1, 2009 as its IFRS transition date, defining it as the period for the measurement of the effects of the first application.

#### Application of IFRS 1

The consolidated financial statements of the Corporation for the period ended December 31, 2009 are the first consolidated financial statements prepared in conformity with International Financial Reporting Standards (IFRS). The Corporation has applied IFRS 1 when preparing its consolidated financial statements.

In general, IFRS 1 requires the complete retrospective application of the standards and interpretations effective at the date of the first application. However, such standard allows certain exemptions to the retrospective application, in order to assist the companies with their transition process.

- b) The Corporation has analyzed these exemptions and has applied the following:
- **Business Combinations** - The Corporation decided not to apply retrospectively IFRS 3, *Business Combinations*, maintaining the previous carrying amounts of the previous combinations.
  - **Fair Value as Deemed Cost** - The Corporation measured certain items of property, plant and equipment existing at the transition date of IFRS at fair value and used that fair value as its deemed cost.
  - **Exchange Rate Differences on Translation** - The Corporation considered that the cumulative translation differences will be deemed to be zero at the transition date. Hereby, all profit or loss from subsequent disposals due to these operations will exclude translation differences originated before the transition date.
  - **Assets and Liabilities of Subsidiaries, Associates and Joint Ventures** - The subsidiaries, associates and joint ventures have adopted IFRS on the same date as the Corporation.
  - **Changes in Existing Liabilities for Decommissioning and Restoration** - The Corporation has measured the decommissioning obligation - at the transition date - through the calculation of

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

the net present value of the liability, using a discount interest rate that is representative of its indebtedness, correcting the accumulated depreciation.

In relation to the restoration provision, this has been determined at the net present value of the liability at the transition date.

- **Leases** - The Corporation adopted the transitional provisions of IFRIC 4, *Determining whether an arrangement contains a lease* to determine whether the existing agreements and contracts at the transition date to IFRS, qualify as a lease based on the facts and circumstances at the transition date.
- **Borrowing Costs** - The Corporation adopted the criterion of capitalizing borrowing costs for work in progress, only for those works with a commencement date on or after January 1, 2009.
- **Financial Instruments** - The Corporation applies hedge accounting for its derivative instruments.

## 2. Reconciliations between Generally Accepted Accounting Principles in Chile ("Chilean GAAP") and International Financial Reporting Standards ("IFRS")

### a) Reconciliation of the Consolidated Net Equity

|                                                                          | <b>Equity</b>                |                            |
|--------------------------------------------------------------------------|------------------------------|----------------------------|
|                                                                          | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|                                                                          | ThUS\$                       | ThUS\$                     |
| <b>Equity under Chilean GAAP</b>                                         | <b>5,308,585</b>             | <b>3,875,692</b>           |
| <u>IFRS Transition Adjustments:</u>                                      |                              |                            |
| (i) Exposure of derivatives on futures contracts                         | (2,315,792)                  | 187,699                    |
| (ii) Exposure of derivatives on exchange rate swaps                      | (50,532)                     | (103,258)                  |
| (iii) Financial obligations at amortized cost                            | 4,221                        | 3,076                      |
| (iv) Fair value of property, plant and equipment as deemed cost          | 1,545,971                    | 1,803,700                  |
| (v) Provision for transfer of net income to the public treasury          | (503,738)                    | (84,671)                   |
| (vi) Criteria Changes Defined benefit obligations with employees         | 263,418                      | 270,383                    |
| (vii) Special Purpose Entity incorporated on Consolidation               | 8,844                        | 7,105                      |
| (viii) Closure provision                                                 | (57,213)                     | (3,529)                    |
| (ix) Effect of convergence to IFRS of subsidiaries and associates        | (105,999)                    | (1,678)                    |
| (x) Impairment assets                                                    | (54,745)                     | (57,916)                   |
| (xi) Valuation of trade receivables at fair value through profit or loss | 242,826                      |                            |
| (xii) Change of functional currency in subsidiaries                      | (6,108)                      |                            |
| (xiii) Capitalization of interest                                        | 2,343                        |                            |
| (xiv) Deferred tax effect                                                | 159,139                      | (1,335,288)                |
| Non-controlling interests                                                | 2,007                        | 2,951                      |
| <b>Equity under IFRS</b>                                                 | <b>4,443,227</b>             | <b>4,564,266</b>           |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### b) Reconciliation of Profit (Loss)

|                                                                                | <b>Profit(loss)</b><br><b>January 1, 2009</b><br><b>December 31, 2009</b><br>ThUS\$ |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <b>Profit (loss) under Chilean GAAP</b>                                        | <b>1,261,718</b>                                                                    |
| <u>IFRS Transition Adjustments:</u>                                            |                                                                                     |
| (i) Exposure of derivatives on futures contracts                               | -                                                                                   |
| (iii) Financial obligations at amortized cost                                  | 435                                                                                 |
| (iv) Fair value of property, plant and equipment as deemed cost – Depreciation | (257,729)                                                                           |
| (vi) Criteria Changes Defined benefits obligations with employees              | (45,137)                                                                            |
| (vii) Special Purpose Entity incorporated on Consolidation                     | 796                                                                                 |
| (viii) Closure provision                                                       | (53,684)                                                                            |
| (ix) Effect of convergence to IFRS of subsidiaries and associates              | (16,003)                                                                            |
| (x) Impairment assets                                                          | 3,170                                                                               |
| (xi) Valuation of trade receivables at fair value through profit or loss       | 263,105                                                                             |
| (xiii) Capitalization of interest                                              | 2,343                                                                               |
| (xiv) Deferred tax effect                                                      | 17,212                                                                              |
| (=) Profit (loss) controlling                                                  | 1,176,226                                                                           |
| Non-controlling interests                                                      | (2,035)                                                                             |
| <b>Profit (loss) under IFRS</b>                                                | <b>1,174,191</b>                                                                    |
| <b>Other Comprehensive net Income under IFRS</b>                               | <b>(1,277,115)</b>                                                                  |
| <b>Total Comprehensive net Income under IFRS</b>                               | <b>(102,924)</b>                                                                    |

### c) Explanations of the Main Differences

#### (i) Exposure of Derivatives on Futures Operations

Under Chilean GAAP, these futures contracts were designated as hedging instruments in a cash flow hedge. Codelco recorded the exposure to the derivatives in control accounts, and the change in the fair value of these operations was disclosed in the explanatory notes to the financial statements. Under IFRS, in a cash flow hedge the portion of the profit or loss on the hedging instrument that is determined to be an effective hedge is recognized in equity.

The IFRS adjustment in profit or loss corresponds to the portion of the change in the time value of the option contracts that was designated as a hedging instrument.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

(ii) Exposure of Derivatives on Exchange Rate Swaps

The adjustment in net equity corresponds to the same GAAP difference as for the exposure of derivatives on futures operations.

(iii) Financial Obligations at Amortized Cost

Under Chilean GAAP, Codelco recognized in profit or loss the expenses for bank loans and recognized in assets or liabilities the premiums, discounts and costs of transactions related to the issuance of bonds and whose effect in profit or loss was recognized amortizing these according to the straight-line method over the period of the respective obligations. Under IFRS, this methodology is modified amortizing the expenses under the amortized cost method, based on the effective rate of the obligation.

(iv) Fair Value of Property, Plant and Equipment as Deemed Cost

Codelco, making use of the exemption of IFRS 1, has restated certain items of property, plant and equipment based on a methodology of determining the fair value applied by independent advisors. Useful lives associated to certain assets, based on technical and economic criteria were also redefined from such study.

The effect in net equity arises from the increase in the value of the asset, net of deferred taxes, while the effect in profit (loss) is generated by a higher depreciation associated to the amount added to the asset.

(v) Provision for the Transfer of net income for the public treasury

According to Article 6 of D.L. 1,350, the revenues generated by the Corporation belong to the State and, prior to discounting the authorized amounts - through the procedure indicated in such article - for the capitalization and reserve funds, they shall be incorporated to the general revenues of the State. Only at this point, as per Chilean GAAP, the corresponding amount was included in the financial statements. The application of IFRS determines the need to accrue a provision for the amounts transferred to the State, in the financial statements corresponding to the year in which the revenues to be transferred were generated.

(vi) Criteria Changes Defined Benefits Obligations with Employees

The obligations of the Corporation with its employees for the concept of severance payments were recorded, under Chilean GAAP, at their current value, that is, based on the final remuneration of the employee, multiplied by his service years. According to IFRS, these provisions are calculated at net present value discounted at a discount rate based on a

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

representative indebtedness rate, adding the use of certain actuarial assumptions, such as the retirement rates, mortality, turnover, etc.

Its equity effects are derived from a decrease in the provision associated with these obligations, generated by the application of the financial discount, while the effect on profit or loss is caused by the impact on costs of sales, financial expenses and exchange rate differences.

(vii) Special Purpose Entity Incorporated on Consolidation

According to the evaluation performed by the Corporation from the point of view of the application of SIC 12, Fundación de Salud El Teniente (FUSAT) meets the conditions to qualify as a Special Purpose Entity.

The consolidation of this entity implies that its net equity has to be added to the net equity of the Corporation. The effect on profit or loss is given by the consolidation of its profit (loss) in the results of Codelco.

(viii) Closure provision

The dismantling costs of assets, that are part of the provision made by Codelco according to Chilean GAAP for the concepts of closing mining sites, dams and other closure expenses, were charged directly in profit or loss for the year in which such a provision was generated. Due to the application of IFRS, some of these costs have to be charged to the value of the assets over which such disbursements were applied.

The impact on equity arises from the correction of the effect recorded in profit or loss of prior years, in which the total cost was charged under Chilean GAAP and which according to IFRS is deferred according to the depreciation of the assets to be dismantled, net of other effects associated with the calculation of this provision in accordance with IAS 37.

(ix) Effect of Convergence to IFRS of Subsidiaries and Associates

Each subsidiary and associate performed its convergence process to IFRS, in which impacts of different nature were generated. The effects of these impacts were transferred both to the consolidated net equity, as well as to the profit (loss) of Codelco.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

(x) Impairment of Assets

At the date of transition to IFRS, the Corporation performed an asset impairment tests in accordance with IAS 36. Such tests concluded that the recoverable amounts of the assets for the Cash Generating Unit "División Ventanas" were lower than the carrying amounts of the assets of such unit. Consequently, the adjustments recorded as a result of were mainly the total write-off of the goodwill recognized in the Corporation's assets, which were previous the transition to IFRS and generated by the acquisition of Fundición Las Ventanas in 2005, in addition to the partial decrease in items of Property, Plant and Equipment of the aforementioned CGU, and the related negative effect on equity. At the Statement of Income by Function level, the effect of this adjustment was reversing the depreciation charges of the impaired assets in their corresponding proportion.

(xi) Valuation of Trade Receivables at Fair Value through Profit or Loss

When applying Chilean GAAP, the estimations of lower sales revenues, in open operations at year-end, were accrued with direct effect on profit or loss, according to the available information at the preparation date of the financial statements and are presented deducting the balance of the trade debtors. As per IFRS, both the estimations of lower and higher revenues are recognized directly in profit or loss.

(xii) Change of Functional Currency in the Subsidiaries

Some subsidiaries have changed their functional currency according to IAS 21, adopting the functional currency of Codelco (US dollar). Because under Chilean GAAP these companies continued to be valued in Chilean pesos, the effects of the adjustments to the change that were recorded in equity during year-end 2009, have to be reversed for the purposes of the application of IFRS.

(xiii) Capitalization of Interest

According to IFRS, there are financial costs that are directly related to the acquisition, construction or production of qualifying assets and, therefore, they need to be capitalized as a cost of such assets. According to this treatment, the Corporation has identified those qualifying assets and the directly related financing costs that must be capitalized.

In this context, the effect on equity is caused by a lower expense recognized in profit or loss for the capitalization of interest, treatment that was optional under Chilean GAAP.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### (xiv) Effect of Deferred Taxes

The net deferred taxes generated by the IFRS adjustments subject to the tax rates are included.

#### d) Reconciliation of Cash Flows

|                                                         | <b>12-31-2009</b>       |                                                                      |                |
|---------------------------------------------------------|-------------------------|----------------------------------------------------------------------|----------------|
|                                                         | <b>Chilean<br/>GAAP</b> | <b>IFRS transition<br/>adjustments and<br/>reclassifications (*)</b> | <b>IFRS</b>    |
|                                                         | ThUs\$                  | ThUs\$                                                               | ThUs\$         |
| a) Net cash flows from operating activities             | 2,998,783               | 275,523                                                              | 3,274,306      |
| b) Net cash flows from (used in) investing activities   | (1,831,089)             | 112,649                                                              | (1,718,440)    |
| c) Net cash flows used in financing activities          | (924,640)               | (251,347)                                                            | (1,175,987)    |
| d) Net increase (decrease) in cash and cash equivalents | 243,054                 | 136,825                                                              | 379,879        |
| f) Cash and cash equivalents at beginning of period     | 386,965                 | 6,232                                                                | 393,197        |
| e) Cash and cash equivalents at end of period           | <u>630,019</u>          | <u>143,057</u>                                                       | <u>773,076</u> |

(\*) Reclassifications of resale agreements and incorporation of Fundación de Salud el Teniente to the Consolidation of the Cash Flows.

## IV. EXPLANATORY NOTES

### 1. Cash and Cash Equivalents

The detail of cash and cash equivalents is as follows:

|                                 | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|---------------------------------|------------------------------|------------------------------|----------------------------|
|                                 | ThUS\$                       | ThUS\$                       | ThUS\$                     |
| Cash on hand                    | 3,319                        | 4,158                        | 3,996                      |
| Bank balances                   | 17,012                       | 19,889                       | 23,441                     |
| Time deposits                   | 741,579                      | 575,660                      | 352,929                    |
| Mutual funds                    | 61,855                       | 16,454                       | 9,414                      |
| Resale agreements               | <u>50,274</u>                | <u>156,915</u>               | <u>3,417</u>               |
| Total cash and cash equivalents | <u>874,039</u>               | <u>773,076</u>               | <u>393,197</u>             |

Time deposits have a maturity of 90 days or less from their date of acquisition and they are valued at cost plus interest at their corresponding interest rate.



## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 2. Trade and Other Receivables

##### a) Provisions for Open Sales Invoices

As mentioned in Article of Summary of Significant Accounting Policies, the Corporation adjusts its revenues and balances from trade debtors, based on future copper prices, by recording a provision for open sales invoices.

When the future price of copper is lower than the provisional invoice amount, this provision is presented in the Statement of Financial Position as follows:

- Customers that have debt balances with the Corporation are presented in Current Assets, decreasing the amounts owed by these customers.
- Customers that do not have debt balances with the Corporation are presented in the item Trade and other payables of Current Liabilities.

When the future copper price is higher than the provisional invoice price, the provision is presented in current assets increasing the amounts owed by customers.

As per the above, the amounts are:

| Classification of the provision<br>of open invoices | Debit (credit) balance |                      |                    |
|-----------------------------------------------------|------------------------|----------------------|--------------------|
|                                                     | December 31,<br>2010   | December 31,<br>2009 | January 1,<br>2009 |
|                                                     | ThUS\$                 | ThUS\$               | ThUS\$             |
| Current assets                                      | 406,837                | 267,014              | (95,225)           |
| Current liabilities                                 | -                      | -                    | (194,523)          |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### b) Trade and Other Receivables

The following chart shows the amounts of Trade and other receivables, with their corresponding provisions:

| Trade and other receivables, current | Current                        |                                |                              | Non-Current                    |                                |                              |
|--------------------------------------|--------------------------------|--------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|
|                                      | December 31,<br>2010<br>ThUS\$ | December 31,<br>2009<br>ThUS\$ | January 1,<br>2009<br>ThUS\$ | December 31,<br>2010<br>ThUS\$ | December 31,<br>2009<br>ThUS\$ | January 1,<br>2009<br>ThUS\$ |
| Trade receivables                    | 2,349,685                      | 1,724,304                      | 504,929                      | -                              | -                              | -                            |
| Provision for bad and doubtful debts | (2,343)                        | (2,159)                        | (2,104)                      | -                              | -                              | -                            |
| Subtotal trade receivables, net      | 2,347,342                      | 1,722,145                      | 502,825                      |                                |                                |                              |
| Other receivables                    | 370,878                        | 344,684                        | 338,945                      | 198,785                        | 198,102                        | 149,234                      |
| Provision for bad and doubtful debts | (4,214)                        | (4,803)                        | (6,403)                      | -                              | -                              | -                            |
| Subtotal other receivables, net      | 366,664                        | 339,881                        | 332,542                      | 198,785                        | 198,102                        | 149,234                      |
| Total                                | 2,714,006                      | 2,062,026                      | 835,367                      | 198,785                        | 198,102                        | 149,234                      |

- (1) Trade debtors are generated by the sale of products of the Corporation, which in general are sold for cash or through bank documents:
- (2) Other receivables include the amounts owed mainly by:
  - Personnel of the Corporation, including short-term loans and mortgage loans, both discounted on a monthly basis from their remunerations. The mortgage loans are backed by mortgage guarantees.
  - Claims for insurance companies.
  - Liquidations to the Central Bank as per Law 13,196.
  - Advance payments to suppliers and contractors, to be discounted from the corresponding payment statements.
  - Accounts receivable for toll services (Fundición Ventanas).
- (3) The Corporation maintains an provision for doubtful debts, based on the experience and analysis of Management regarding the portfolio of trade debtors and the aging of the entries.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The movement of the provision for doubtful accounts in the periods January to December 2010 and 2009 is as follows:

| <b>Movements of the bad debts provision</b> | <b>December 31, 2010</b> | <b>December 31, 2009</b> |
|---------------------------------------------|--------------------------|--------------------------|
|                                             | ThUS\$                   | ThUS\$                   |
| Opening balance                             | 6,962                    | 8,507                    |
| Increases                                   | 184                      | 55                       |
| Write-offs / applications                   | 589                      | 1,600                    |
| Movement, subtotal                          | <u>(405)</u>             | <u>(1,545)</u>           |
| Final balance                               | <u><u>6,557</u></u>      | <u><u>6,962</u></u>      |

Details of past due and not provided balances are as follows:

|                                 | <b>December 31, 2010</b> | <b>December 31, 2009</b> | <b>January 1, 2009</b> |
|---------------------------------|--------------------------|--------------------------|------------------------|
|                                 | ThUS\$                   | ThUS\$                   | ThUS\$                 |
| Less than 90 days               | 18,814                   | 33,672                   | 101,498                |
| Between 90 days and 1 year      | 378                      | 4,575                    | 877                    |
| More than 1 year                | <u>3,572</u>             | <u>3,275</u>             | <u>5,535</u>           |
| Total past-due and not impaired | <u><u>22,764</u></u>     | <u><u>41,522</u></u>     | <u><u>107,910</u></u>  |

### 3. Balances and Transactions with Related Companies

#### a) Related Operations through Persons

The Board of Directors of the Corporation has established the policy that governs transactions with persons and companies related to Codelco personnel, which has been regulated by Management, since December 1, 1995, through Corporate Regulation No.18 and its corresponding administrative procedures.

Accordingly, Codelco cannot enter into agreements or acts in which one or more Directors, its Executive President, members of the Divisional Board of Directors, Vice Presidents, Corporate Auditor, Divisional General Managers and senior supervisory personnel, including their spouses, children and other relatives, up to the second degree of blood relationship, have direct personal interests, whether they are represented by third parties or they act as representatives of another person, without prior authorization as set forth in the aforementioned policy and Regulation, and by the Board of Directors, when required by Law or the Company's By-Laws.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

This prohibition also includes the companies in which such individuals are involved through ownership or management, whether directly or through representation of other natural persons or legal entities, or individuals who have ownership or management in those companies.

Without affecting to the above, the internal regulatory framework included in Corporate Regulation No. 18, is adjusted by the provisions of Title XVI of the Law on Corporations - of the operations with related parties in publicly traded companies and their subsidiaries - and in particular, to the final section of Article 147 b), which establishes exemption standards regarding operations with related parties, that are made according to general habitual policies determined by the Board of the Corporation. The Corporation has established a general policy in this regard, adhering to the final section of Article 147 b) which establishes the operations that are habitual, and it is understood that these are those performed habitually with its related parties within its line of business, that contribute to a social interest and that are necessary for the normal development of the activities of Codelco and its subsidiaries.

For purposes of this regulation, second and third hierarchical level positions in the Divisions, and Managers and Assistant Managers in the headquarters are considered as senior supervisory positions.

The Board of the Corporation is aware of the transactions regulated by the Corporate Regulation No. 18, on which according to this standard, it has to make a statement. Among these operations are those indicated in the following chart, for the total amounts indicated, which need to be executed in the periods specified by each contract.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currencies)

| Transactions related through persons                  |                 |         |                            |                                | 1-1-2017         |
|-------------------------------------------------------|-----------------|---------|----------------------------|--------------------------------|------------------|
| Company                                               | Taxpayer number | Country | Nature of the relationship | Description of the transaction | Amount<br>ThUS\$ |
| Industrial Support Company Ltda.                      | 77.276.280-1    | Chile   | Executive's relative       | Services                       | -                |
| CMS Tecnología S.A.                                   | 96.893.530-5    | Chile   | Associate                  | Services                       | -                |
| Inst. de Innovación en Min. y Metal S.A.              | 96.854.500-0    | Chile   | Subsidiary                 | Services                       | -                |
| Quadrem Chile Ltda                                    | 77.546.140-3    | Chile   | Related                    | Services                       | 2,0              |
| R & Q Ingeniería S.A.                                 | 84.865.000-5    | Chile   | Executive's relative       | Services                       | -                |
| Juan Patricio Alvear Arriagada                        | 7.828.426-9     | Chile   | Executive's relative       | Services                       | -                |
| Ingeniería Insitu S.A.                                | 96.796.630-4    | Chile   | Executive's relative       | Services                       | -                |
| Domingo Iraola Vera                                   | 2.320.212-3     | Chile   | Executive's relative       | Services                       | -                |
| Compañía de Petróleos de Chile S.A.                   | 99.520.000-7    | Chile   | Director's ownership       | Purchase of supplies           | -                |
| Prodalam S.A.                                         | 93.772.000-9    | Chile   | Director's ownership       | Services                       | -                |
| Prodinsa S.A.                                         | 92.698.000-9    | Chile   | Director's ownership       | Services                       | -                |
| CIS Ingenieros y Asociados                            | 88.422.600-7    | Chile   | Director's ownership       | Services                       | 1                |
| Mining Industry Robotic Solutions S.A.                | 76.869.100-2    | Chile   | Investee                   | Services                       | -                |
| Sociedad Contractual Minera El Abra                   | 96.701.340-4    | Chile   | Investee                   | Services                       | -                |
| Petricio Industrial S.A.                              | 96.799.310-7    | Chile   | Executive's relative       | Services                       | -                |
| Ernst & Young Ltda.                                   | 77.802.430-6    | Chile   | Executive's relative       | Services                       | 2,4              |
| Club de Deportes Cobresal                             | 70.658.400-5    | Chile   | Club president's employee  | Services                       | 3                |
| Servicios Aridam S.A.                                 | 76.033.531-2    | Chile   | Executive's relative       | Services                       | 1                |
| CAID S.A.                                             | 76.069.751-6    | Chile   | Executive's relative       | Services                       | 7                |
| B. BOSCH S.A.                                         | 84.716.400-K    | Chile   | Executive's relative       | Services                       | 4                |
| Irene Astudillo Fernández                             | 8.972.584-4     | Chile   | Executive's relative       | Services                       | -                |
| Entel S.A.                                            | 92.580.000-7    | Chile   | Executive's relative       | Services                       | -                |
| Ecometales Ltd.                                       | 59.097.530-9    | Chile   | Subsidiary                 | Services                       | 27,7             |
| Clinica San Lorenzo Limitada                          | 88.497.100-4    | Chile   | Subsidiary                 | Services                       | 1,8              |
| San Lorenzo Institución de Salud Previsional Ltda.    | 76.521.250-2    | Chile   | Subsidiary                 | Services                       | 1,3              |
| SKM Minmetals Ltda.                                   | 76.334.600-5    | Chile   | Executive's relative       | Services                       | -                |
| Exploraciones Mineras Andina S.A.                     | 99.569.520-0    | Chile   | Subsidiary                 | Services                       | -                |
| Mining Information Communications and Monitoring S.A. | 76.561.210-1    | Chile   | Subsidiary                 | Services                       | -                |
| Biosigma S.A.                                         | 96.991.180-9    | Chile   | Subsidiary                 | Services                       | 12,0             |
| Minera Gaby S.A.                                      | 76.685.790-6    | Chile   | Subsidiary                 | Services                       | 464,2            |
| Sinclair Knight Merz (Chile) Ltda.                    | 76.334.600-5    | Chile   | Executive's relative       | Services                       | 9,2              |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currencies)

#### b) Key Personnel of the Corporation

In accordance with the policy established by the Board of Directors and its related regulation, those transactions of the Executive President, Vice presidents, Corporate Auditor, the members of the Divisional Boards of Directors and Managers should be approved by this Board.

During 2010 and 2009, the members of the Board of Directors have received the following amounts as per diem:

| Name                        | ID number   | Country | Nature of the relationship         | Description of the transaction | 01-01-2010 / 12-31-2010 | 01-01-2009 / 12-31-2009 |
|-----------------------------|-------------|---------|------------------------------------|--------------------------------|-------------------------|-------------------------|
|                             |             |         |                                    |                                | Amount                  | Amount                  |
|                             |             |         |                                    |                                | ThUS\$                  | ThUS\$                  |
| Santiago González Larraín   | 6.499.284-8 | Chile   | Chairman of the Board of Directors | Director's fees                | 4                       | 4                       |
| Andrés Velasco Brañes       | 6.973.692-0 | Chile   | Director                           | Director's fees                | 4                       | 4                       |
| Nicolás Majluf Sapag        | 4.940.618-5 | Chile   | Director                           | Director's fees                | 45                      | 45                      |
| Nicolás Majluf Sapag        | 4.940.618-5 | Chile   | Director                           | Fees                           | -                       | -                       |
| Jorge Bande Bruck           | 5.899.738-2 | Chile   | Director                           | Director's fees                | 90                      | 90                      |
| Jorge Bande Bruck           | 5.899.738-2 | Chile   | Director                           | Fees                           | -                       | -                       |
| Jorge Candia Díaz           | 8.544.205-8 | Chile   | Director                           | Compensations                  | -                       | -                       |
| Jorge Candia Díaz           | 8.544.205-8 | Chile   | Director                           | Dieta Directorio               | 11                      | 11                      |
| Raimundo Espinoza Concha    | 6.512.182-4 | Chile   | Director                           | Remuneraciones                 | 72                      | 72                      |
| Raimundo Espinoza Concha    | 6.512.182-4 | Chile   | Director                           | Director's fees                | 70                      | 70                      |
| Gustavo González Jure       | 6.866.126-9 | Chile   | Director                           | Director's fees                | 11                      | 11                      |
| Alberto Arenas de Mesa      | 8.718.414-5 | Chile   | Director                           | Director's fees                | 18                      | 18                      |
| Jaime Gutiérrez Castillo    | 6.772.588-3 | Chile   | Director                           | Compensations                  | 80                      | 80                      |
| Jaime Gutiérrez Castillo    | 6.772.588-3 | Chile   | Director                           | Director's fees                | 59                      | 59                      |
| Andrés Sanfuentes Vergara   | 4.135.157-8 | Chile   | Director                           | Director's fees                | 18                      | 18                      |
| Gerardo Jofré Miranda       | 5.672.444-3 | Chile   | Director                           | Director's fees                | 115                     | 115                     |
| Marcos Büchi Buc            | 7.383.017-6 | Chile   | Chairman of the Board of Directors | Director's fees                | 70                      | 70                      |
| Fernando Porcile Valenzuela | 4.027.183-K | Chile   | Director                           | Director's fees                | 48                      | 48                      |
| Andrés Tagle Domínguez      | 5.895.255-9 | Chile   | Director                           | Director's fees                | 48                      | 48                      |
| Marcos Lima Aravena         | 5.119.963-4 | Chile   | Director                           | Director's fees                | 79                      | 79                      |
| Juan Luis Ossa Bulnes       | 3.638.915-K | Chile   | Director                           | Director's fees                | 48                      | 48                      |

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

Through Supreme Decree of the Treasury Department No. 257, dated March 3, 2010, the method for determining the remunerations of the directors of the Corporation was established. This document details the calculation method of such remunerations, as per the following:

- a. The monthly remuneration of the directors of Codelco is fixed in the amount of Ch\$3,000,000 - (three million Chilean pesos) for participating in the Board meetings.
- b. A unique monthly remuneration of Ch\$6,000,000 - (six million Chilean pesos) is established for the Chairman of the Board.
- c. In the case of the directors that shall participate in a Board Committee, whether the one referred to in Article 50 bis) of law No. 18,046 or another established by the by-laws of the Corporation, they shall receive a single additional monthly amount of Ch\$1,000,000 - (one million Chilean pesos) for their participation, notwithstanding the number of committees in which they participate. In addition, the director holding the chair of the Directors' Committee shall receive a single monthly remuneration for his participation in committees of Ch\$2,000,000 - (two million Chilean pesos).
- d. The remunerations established in this legal document will be valid for a period of two years, as of March 1, 2010, and will be adjusted as of January 10, 2011, according to the same provisions that govern the general remuneration adjustment of the employees of the Public Sector of the Republic of Chile.

The short-term benefits related to the main executives of the Corporation, paid during the period January - December 2010, amount to ThUS\$6,658 (2009: ThUS\$5,718).

The non-current benefits paid during the period January - December 2010 amount to ThUS\$547 (2009: ThUS\$234).

The criteria to determine the remunerations of the executives were established by the Board on January 29, 2003. The current text of the policy, updated in the remunerations committee of the Board dated March 2, 2004, is the following:

- i. The fixed remuneration will be equal to the fixed remuneration corresponding to 50% of the fixed component of the remuneration of the position in the market of reference, with a range of approximately 15%.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- ii. The non-guaranteed performance bonus will have an annual value that will fluctuate depending on the goal compliance and the individual performance between zero and three fixed monthly remunerations. In addition two limitations are established: first, that the annual surplus of the Corporation shall be higher than 20% of its equity (capital plus reserves), and, second, that the total bonuses shall not exceed 2.4 times the amount added to the monthly base remuneration of these executives.
- iii. The total remuneration, that is to say, the sum of the guaranteed fixed remuneration plus the possible performance bonus, shall not exceed the total remuneration corresponding to the 75 percentile of this position in the market of reference.

None of the main executives of Codelco received severance payments as of December 31, 2009 and 2010.

#### **c) Operations with Codelco Investees**

In addition, the Corporation performs necessary commercial and financial transactions with entities in which it has capital ownership. The financial transactions correspond mainly to loans in checking accounts.

The commercial operations with related companies refer to the purchase and sale of products or services, at market conditions and prices and which do not consider interests or indexation. These companies are the following: Sociedad GNL Mejillones S.A., Sociedad Contractual Minera Sierra Mariposa, Copper Partners Investment Company Ltd., Sociedad Contractual Minera Purén, Kairos Mining S.A., MI Robotic Solutions S.A., Inversiones Tocopilla Ltda., Sociedad Contractual Minera El Abra, Electroandina S.A., Agua de La Falda S.A., CMS Tecnología S.A., Ecosea Farming S.A., Comotech S.A., Inversiones Mejillones S.A., E-CL S.A., Inversiones Tocopilla 2A S.A., Inversiones Tocopilla 2B S.A., Inversiones Mejillones 1 S.A., Inversiones Mejillones 2 S.A. and Deutsche Geissdraht GmbH, Quadrem Chile Ltda. And Suez Energy Andino S.A.

The Corporation does not establish provisions for doubtful accounts for the main items receivable from their related companies, as these have been registered by including the relevant safeguards in the respective debt contracts.



# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The detail of the accounts receivable from and payable to related companies as of December 31, 2010, December 31, 2009 and January 1, 2009, is presented in the following tables:

Due from related companies

| Taxpayer number | Name                                   | Home country | Nature of the relationship | Indexation currency | Current           |                   |                 | Non-Current       |                   |                 |
|-----------------|----------------------------------------|--------------|----------------------------|---------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|                 |                                        |              |                            |                     | December 31, 2010 | December 31, 2009 | January 1, 2009 | December 31, 2010 | December 31, 2009 | January 1, 2009 |
|                 |                                        |              |                            |                     | ThUS\$            | ThUS\$            | ThUS\$          | ThUS\$            | ThUS\$            | ThUS\$          |
| 96.731.500-1    | Electroandina S.A.                     | Chile        | Associate                  | USD                 | -                 | -                 | 101,743         | -                 | -                 | -               |
| 76.775.710-7    | GNL Mejillones S.A.                    | Chile        | Associate                  | USD                 | 52,655            | 30,241            | 14              | 104,672           | 170,278           | -               |
| 96.701.340-4    | Sociedad Contractual Minera El Abra    | Chile        | Associate                  | USD                 | 1,217             | 5,842             | 2,746           | -                 | -                 | -               |
| Foreign         | Copper Partners Invest. Company Ltd.   | Bermudas     | Joint Venture              | USD                 | 100,121           | 123,238           | 9,708           | -                 | 61,633            | -               |
| 88.006.900-4    | E-CL S.A.                              | Chile        | Associate                  | USD                 | 2,453             | 412               | -               | -                 | 126,124           | -               |
| 96.801.450-1    | Agua de la Falda S.A.                  | Chile        | Associate                  | USD                 | -                 | -                 | -               | 224               | 224               | 224             |
| 96.893.530-5    | CMS Tecnologia S.A.                    | Chile        | Associate                  | CLP                 | -                 | -                 | 1,275           | -                 | -                 | -               |
| 96.885.200-0    | Suez Energy Andino S.A.                | Chile        | Partner                    | CLP                 | -                 | 69,387            | -               | -                 | -                 | -               |
| 76.024.442-2    | Ecosea Farming S.A.                    | Chile        | Associate                  | CLP                 | 64                | 59                | 208             | -                 | -                 | -               |
| 76.009.778-0    | Comotech S.A.                          | Chile        | Associate                  | CLP                 | 165               | -                 | -               | -                 | -                 | -               |
| 76.082.774-6    | Inversiones Tocopilla 2B S.A.          | Chile        | Associate                  | CLP                 | -                 | 2                 | -               | -                 | -                 | -               |
| 76.869.100-2    | Mining Industry Robotic Solutions S.A. | Chile        | Associate                  | CLP                 | 1,279             | -                 | -               | -                 | -                 | -               |
| Total           |                                        |              |                            |                     | 157,954           | 229,181           | 115,694         | 104,896           | 358,259           | 224             |

Due to related companies

| Taxpayer number | Name                                    | Home country | Nature of the relationship | Indexation currency | Current           |                   |                 | Non-Current       |                   |                 |
|-----------------|-----------------------------------------|--------------|----------------------------|---------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|                 |                                         |              |                            |                     | December 31, 2010 | December 31, 2009 | January 1, 2009 | December 31, 2010 | December 31, 2009 | January 1, 2009 |
|                 |                                         |              |                            |                     | ThUS\$            | ThUS\$            | ThUS\$          | ThUS\$            | ThUS\$            | ThUS\$          |
| Foreign         | Copper Partners Investment Company Ltd. | Bermudas     | Joint Venture              | USD                 | 36,666            | 36,667            | 49,162          | 345,324           | 381,975           | 418,938         |
| Foreign         | Deutsche Geissdraht GmbH                | Alemania     | Associate                  | EURO                | 2,081             | 1,319             | 2,542           | -                 | -                 | -               |
| 76.781.030-K    | Kairos Mining S.A.                      | Chile        | Associate                  | CLP                 | 13,845            | 10,642            | -               | -                 | -                 | -               |
| 76.869.100-2    | Mining Industry Robotic Solutions S.A.  | Chile        | Associate                  | CLP                 | -                 | 848               | 115             | -                 | -                 | -               |
| 77.546.140-3    | Quadrem Chile Ltda.                     | Chile        | Other investment           | CLP                 | 66                | 241               | -               | -                 | -                 | -               |
| 88.006.900-4    | E-CL S.A.                               | Chile        | Associate                  | USD                 | 53,091            | 93,476            | -               | 3,880             | -                 | -               |
| 96.701.340-4    | Sociedad Contractual Minera El Abra     | Chile        | Associate                  | USD                 | 50,670            | 42,732            | 16,692          | -                 | -                 | -               |
| 96.731.500-1    | Electroandina S.A.                      | Chile        | Associate                  | USD                 | -                 | -                 | 57,888          | -                 | 6,792             | 11,030          |
| 96.893.530-5    | CMS Tecnologia S.A.                     | Chile        | Associate                  | CLP                 | -                 | -                 | 830             | -                 | -                 | -               |
| 76.775.710-7    | GNL Mejillones S.A.                     | Chile        | Associate                  | USD                 | 15,146            | -                 | -               | -                 | -                 | -               |
| Total           |                                         |              |                            |                     | 171,565           | 185,925           | 127,229         | 349,204           | 388,767           | 429,968         |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The transactions performed between the Corporation and its related entities during the periods January - December 2010 and 2009, are detailed in the next chart together with their corresponding effects on profit or loss of such periods:

| Taxpayer number | Company                                | Description of the transaction | December 31, 2010 |                                      | December 31, 2009 |                                      |
|-----------------|----------------------------------------|--------------------------------|-------------------|--------------------------------------|-------------------|--------------------------------------|
|                 |                                        |                                | Amount            | Effects on income (charges) /credits | Amount            | Effects on income (charges) /credits |
|                 |                                        |                                | ThUS\$            | ThUS\$                               | ThUS\$            | ThUS\$                               |
| Foreign         | Copper Partners Investment Co. Ltd.    | Sale of products               | 143,902           | 143,902                              | 153,496           | 153,496                              |
| Foreign         | Copper Partners Investment Co. Ltd.    | Capital reduction              | -                 | -                                    | 44,805            | -                                    |
| 76.024.442-2    | Ecosea Farming S.A.                    | Capital contribution           | -                 | -                                    | -                 | -                                    |
| 76.082.152-7    | Inversiones Mejillones 3 S.A.          | Sale of shares                 | -                 | -                                    | 32                | -                                    |
| 76.708.710-1    | Central Termoeléctrica Andina S.A.     | Loan                           | -                 | -                                    | 13,392            | -                                    |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.           | Capital contribution           | -                 | -                                    | 67,500            | -                                    |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.           | Capital decrease               | -                 | -                                    | 200,500           | -                                    |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.           | Loan                           | 157,322           | -                                    | 200,500           | -                                    |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.           | Purchase of energy             | 105,658           | (105,658)                            | -                 | -                                    |
| 76.775.710-7    | Sociedad GNL Mejillones S.A.           | Expense reimbursement          | 5                 | -                                    | 1,646             | -                                    |
| 76.781.030-K    | Kairos Mining S.A.                     | Purchase of services           | 14,345            | (14,345)                             | 17,185            | (17,185)                             |
| 76.869.100-2    | Mining Industry Robotic Solutions S.A. | Capital contribution           | -                 | -                                    | 200               | -                                    |
| 76.869.100-2    | Mining Industry Robotic Solutions S.A. | Purchase of services           | 1,448             | (1,448)                              | 2,656             | (2,656)                              |
| 78.835.420-7    | Inversiones Tocopilla Ltda.            | Dividends received             | -                 | -                                    | 12,831            | -                                    |
| 78.835.420-7    | Inversiones Tocopilla Uno S.A.         | Capital contribution           | -                 | -                                    | 171,486           | -                                    |
| 78.835.420-7    | Inversiones Tocopilla Uno S.A.         | Capital contribution           | -                 | -                                    | 19,920            | -                                    |
| 78.835.420-7    | Inversiones Tocopilla Uno S.A.         | Dividends received             | -                 | -                                    | 34,973            | -                                    |
| 88.006.900-4    | E-CL S.A.                              | Promissory note                | -                 | -                                    | 19,920            | -                                    |
| 88.006.900-4    | E-CL S.A.                              | Loan                           | -                 | -                                    | 113,144           | -                                    |
| 96.701.340-4    | SCM El Abra                            | Purchase of products           | 447,027           | (447,027)                            | 373,861           | (373,861)                            |
| 96.701.340-4    | SCM El Abra                            | Dividends received             | 147,000           | -                                    | -                 | -                                    |
| 96.701.340-4    | SCM El Abra                            | Sale of products               | 28,179            | 28,179                               | 54,776            | 54,776                               |
| 96.701.340-4    | SCM El Abra                            | Purchase of services           | 1,607             | (1,607)                              | 4,138             | (4,138)                              |
| 96.701.340-4    | SCM El Abra                            | Commissions received           | 145               | 145                                  | 166               | 166                                  |
| 88.006.900-4    | E-CL S.A.                              | Interest and commissions       | -                 | -                                    | 3,472             | 3,472                                |
| 88.006.900-4    | E-CL S.A.                              | Purchase of energy             | 466,955           | (466,955)                            | 509,438           | (509,438)                            |
| 88.006.900-4    | E-CL S.A.                              | M&O services                   | 1,007             | (1,007)                              | 614               | (614)                                |
| 88.006.900-4    | E-CL S.A.                              | Loan                           | 130,627           | -                                    | 53,400            | -                                    |
| 88.006.900-4    | E-CL S.A.                              | Dividends received             | 32,040            | -                                    | -                 | -                                    |
| 96.782.220-5    | Suez Energy Andino S.A.                | Acquisition of centra share    | -                 | -                                    | 21,695            | -                                    |
| 96.782.220-5    | Suez Energy Andino S.A.                | Acquisition of rights          | -                 | -                                    | 30,416            | -                                    |
| 96.782.220-5    | Suez Energy Andino S.A.                | Sale of share of inversiones   | -                 | -                                    | 172,500           | 39,940                               |
| 88.006.900-4    | E-CL S.A.                              | Purchase of services           | -                 | -                                    | 986               | (986)                                |
| 88.006.900-4    | E-CL S.A.                              | Gas supply                     | -                 | -                                    | 4,910             | (4,910)                              |
| 99.990.660-0    | Inversiones Mejillones S.A.            | Dividends received             | -                 | -                                    | 13,976            | -                                    |

### d) Additional Information

The current and non-current account payable to the company Copper Partners Investment Company Ltd., corresponds to the balance of an advance payment received (US\$550 million) due to the commercial agreement with the company Minmetals.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 4. Inventories

The inventories at December 31, 2010, December 31, 2009 and January 1, 2009 are detailed as follows:

|                                          | December 31,<br>2010<br>ThUS\$ | December 31,<br>2009<br>ThUS\$ | January 1,<br>2009<br>ThUS\$ |
|------------------------------------------|--------------------------------|--------------------------------|------------------------------|
| Finished products                        | 418,394                        | 315,838                        | 384,232                      |
| <b>Subtotal finished products, net</b>   | <b>418,394</b>                 | <b>315,838</b>                 | <b>384,232</b>               |
| Products in process                      | 1,055,664                      | 908,764                        | 891,454                      |
| <b>Subtotal products in process, net</b> | <b>1,055,664</b>               | <b>908,764</b>                 | <b>891,454</b>               |
| Materials in warehouse and others        | 381,932                        | 318,011                        | 360,356                      |
| Obsolescence provision adjustment        | (73,484)                       | (70,837)                       | (89,444)                     |
| <b>Subtotal products in process, net</b> | <b>308,448</b>                 | <b>247,174</b>                 | <b>270,912</b>               |
| <b>Total inventories</b>                 | <b>1,782,506</b>               | <b>1,471,776</b>               | <b>1,546,598</b>             |

The value of the finished products is stated net of an unrealized profit corresponding to the purchase and sale operations of associates and subsidiaries, and which according to accounting standards need to be discounted from the entries that originated them.

The inventories recognized as an expense in the costs of sales during the years ended December 31, 2010 and 2009, correspond to finished products and amount to ThUS\$8,777,024 and ThUS\$5,326,908, respectively.

Codelco has not written off inventories that have been recognized in the Statement of Income by function.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### **5. Deferred Taxes and Income Taxes**

This provision is stated in the item Current Tax Liabilities, in current liabilities, net of monthly provisional tax payments and other tax credits (Note 6).

In accordance with the Law 20,455 on Reconstruction due to the earthquake, the income tax rates were changed for tax years 2012 and 2013. The current tax rate will temporarily increase from 17% to 20% and 18.5%, respectively.

The effect of such tax rate change resulted in recognizing a deferred tax asset crediting net income for ThUS\$22,735. The deferred taxes that will be reversed in tax years 2012 and 2013 (fiscal years 2011 and 2012), amount to ThUS\$17,379 and ThUS\$5,356, respectively.

In accordance with the Law 20,469 on the Specific Mining Activity Tax, that changes the current income tax rate (5%) to be applied from tax year 2012 onwards, the Company has estimated a tax rate of 5.68% for that tax year.

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The following table shows the detail of the deferred tax assets and liabilities:

|                                                                                         | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|-----------------------------------------------------------------------------------------|----------------------|----------------------|--------------------|
|                                                                                         | ThUS\$               | ThUS\$               | ThUS\$             |
| <b>Deferred tax assets:</b>                                                             |                      |                      |                    |
| Provisions                                                                              | 671,737              | 513,489              | 655,626            |
| Unrealized gains                                                                        | 49,246               | 51,885               | 60,703             |
| Financial lease                                                                         | 18,862               | 13,855               | 8,693              |
| Specific Mining tax                                                                     | 7,452                | -                    | -                  |
| Derivatives - futures                                                                   | 1,232,505            | 1,320,002            | -                  |
| Advances from clients                                                                   | 217,734              | 238,626              | 259,522            |
| Derivatives interest rate swaps                                                         | 52,740               | 28,803               | 58,857             |
| Health care plans                                                                       | 20,081               | 7,641                | 5,333              |
| Others                                                                                  | 31,754               | 73,226               | 30,534             |
| Total deferred tax assets                                                               | 2,302,111            | 2,247,527            | 1,079,268          |
| <b>Deferred tax liabilities:</b>                                                        |                      |                      |                    |
| Financial liabilities under effective interest rate                                     | 8,000                | 8,378                | 7,899              |
| Derivatives exchange rate swaps                                                         | -                    | -                    | -                  |
| Specific Mining tax                                                                     | -                    | 30,792               | 25,898             |
| Price-level restatement of property, plant and equipment<br>(first application of IFRS) | 832,594              | 881,203              | 1,028,109          |
| Valuation of severance indemnity                                                        | 200,568              | 172,119              | 159,986            |
| Accelerated depreciation                                                                | 1,915,741            | 1,735,279            | 1,584,453          |
| Derivatives - futures                                                                   | -                    | -                    | 106,678            |
| Provisions                                                                              | 46,808               | 134,177              | 56                 |
| Others                                                                                  | 9,782                | 7,996                | 27,124             |
| Total deferred tax liabilities                                                          | 3,013,493            | 2,969,944            | 2,940,203          |

The effect of deferred taxes affecting equity is summarized as follows:

|                                        | December 31,<br>2010 | December 31,<br>2009 | January 1,<br>2009 |
|----------------------------------------|----------------------|----------------------|--------------------|
|                                        | ThUS\$               | ThUS\$               | ThUS\$             |
| <b>Deferred taxes affecting equity</b> |                      |                      |                    |
| Cash flow hedge                        | (63,560)             | 1,394,332            | 37,651             |
| Total deferred taxes affecting equity  | (63,560)             | 1,394,332            | 37,651             |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The following table shows the reconciliation of taxes considering the legal tax rate and the calculation of the taxes actually paid:

|                                                          | December 31, 2010    |                      |                  |                                |           |
|----------------------------------------------------------|----------------------|----------------------|------------------|--------------------------------|-----------|
|                                                          | Taxable<br>base 17 % | Taxable<br>base 40 % | Tax rate<br>17 % | Additional<br>tax rate<br>40 % | Total     |
|                                                          | ThUS\$               | ThUS\$               | ThUS\$           | ThUS\$                         | ThUS\$    |
| Profit before taxes                                      | 4,487,922            | 4,487,922            | 762,947          | 1,795,169                      | 2,558,116 |
| Permanent differences 17%                                | (588,768)            | -                    | (100,091)        | -                              | (100,091) |
| Permanent differences 40%                                | -                    | (290,069)            | -                | (116,028)                      | (116,028) |
| Income from corporations and others                      | (72,774)             | (72,774)             | (12,372)         | (29,110)                       | (41,482)  |
| Income from contractual companies                        | (234,402)            | -                    | (39,848)         | -                              | (39,848)  |
| Income from Isapres (Private Health Insurance Companies) | (2,174)              | -                    | (370)            | -                              | (370)     |
| Translation exchange differences                         | 826                  | 826                  | 140              | 330                            | 471       |
| Specific mining tax                                      | (304,652)            | (304,652)            | (51,791)         | (121,861)                      | (173,652) |
| Dividends receivable                                     | -                    | 106,244              | -                | 42,498                         | 42,498    |
| Others                                                   | 24,408               | (19,713)             | 4,149            | (7,885)                        | (3,736)   |
| Specific mining tax net of deferred tax                  | -                    | -                    | -                | -                              | 291,039   |
| Effect of subsidiaries                                   | -                    | -                    | -                | -                              | (21,435)  |
| Total tax expense                                        |                      |                      | 662,856          | 1,679,141                      | 2,611,601 |

|                                         | December 31, 2009    |                      |                  |                                |           |
|-----------------------------------------|----------------------|----------------------|------------------|--------------------------------|-----------|
|                                         | Taxable<br>base 17 % | Taxable<br>base 40 % | Tax rate<br>17 % | Additional<br>tax rate<br>40 % | Total     |
|                                         | ThUS\$               | ThUS\$               | ThUS\$           | ThUS\$                         | ThUS\$    |
| Profit before taxes                     | 2,881,765            | 2,987,834            | 489,900          | 1,195,134                      | 1,685,034 |
| Permanent differences 17%               | (265,421)            | -                    | (45,122)         | -                              | (45,122)  |
| Permanent differences 40%               | -                    | (3,629)              | -                | (1,452)                        | (1,452)   |
| Income from corporations and others     | (140,640)            | (246,709)            | (23,909)         | (98,684)                       | (122,593) |
| Income from contractual companies       | (192,286)            | -                    | (32,689)         | -                              | (32,689)  |
| Income from Isapres                     | 468                  | -                    | 80               | -                              | 80        |
| Translation exchange differences        | 8,534                | 8,534                | 1,451            | 3,414                          | 4,865     |
| Specific mining tax                     | (169,763)            | (169,763)            | (28,860)         | (67,905)                       | (96,765)  |
| Dividends receivable                    | -                    | 170,495              | -                | 68,198                         | 68,198    |
| Others                                  | 228,266              | 228,266              | 38,805           | 91,306                         | 130,111   |
| Specific mining tax net of deferred tax | -                    | -                    | -                | -                              | 173,987   |
| Effect of subsidiaries                  | -                    | -                    | -                | -                              | 3,415     |
| Total tax expense                       |                      |                      | 444,778          | 1,191,463                      | 1,813,643 |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 6. Current Tax Assets and Liabilities

##### a) Current Tax Assets

This item shows the right to collect VAT fiscal credit, income taxes and other taxes receivable, and is detailed as follows:

|                   | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|-------------------|------------------------------|------------------------------|----------------------------|
|                   | ThUS\$                       | ThUS\$                       | ThUS\$                     |
| VAT fiscal credit | 153,347                      | 123,334                      | 83,763                     |
| Other taxes       | 5,153                        | 4,308                        | 4,708                      |
| Income tax        | 35,726                       | 20,224                       | 348,483                    |
| Total             | <u>194,226</u>               | <u>147,866</u>               | <u>436,954</u>             |

##### b) Current Tax liabilities

This item shows the income tax liabilities, net of monthly provisional payments:

|                    | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|--------------------|------------------------------|------------------------------|----------------------------|
|                    | ThUS\$                       | ThUS\$                       | ThUS\$                     |
| Income tax payable | <u>307,952</u>               | <u>63,636</u>                | <u>4,628</u>               |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### 7. Property, Plant and Equipment

- a) The balances of Property, plant and equipment at December 31, 2010 comparative with December 31, 2009 and January 1, 2009, are as follows:

| Property, plant and equipment, gross                          | December 31,<br>2010<br>ThUS\$ | December 31,<br>2009<br>ThUS\$ | January 1,<br>2009<br>ThUS\$ |
|---------------------------------------------------------------|--------------------------------|--------------------------------|------------------------------|
| Construction in progress                                      | 2,756,793                      | 2,492,101                      | 1,361,417                    |
| Land                                                          | 108,087                        | 106,924                        | 94,650                       |
| Buildings                                                     | 3,163,952                      | 3,105,730                      | 3,074,943                    |
| Plant and equipment                                           | 9,767,914                      | 8,955,969                      | 8,744,234                    |
| Fixtures and fittings                                         | 35,600                         | 31,770                         | 32,086                       |
| Motor vehicles                                                | 1,106,413                      | 1,097,051                      | 976,108                      |
| Land improvements                                             | 3,067,271                      | 2,772,167                      | 2,671,457                    |
| Mining operations                                             | 2,670,080                      | 2,570,495                      | 2,196,619                    |
| Mine development                                              | 737,544                        | 659,615                        | 659,559                      |
| Other assets                                                  | 735,895                        | 672,157                        | 676,821                      |
| Total property, plant and equipment, gross                    | <u>24,149,549</u>              | <u>22,463,979</u>              | <u>20,487,894</u>            |
| Property, plant and equipment, accumulated depreciation       | December 31,<br>2010<br>ThUS\$ | December 31,<br>2009<br>ThUS\$ | January 1,<br>2009<br>ThUS\$ |
| Buildings                                                     | 1,905,162                      | 1,915,566                      | 1,794,303                    |
| Plant and equipment                                           | 5,407,138                      | 4,927,764                      | 4,298,190                    |
| Fixtures and fittings                                         | 24,123                         | 25,612                         | 24,748                       |
| Motor vehicles                                                | 643,353                        | 643,164                        | 551,174                      |
| Land improvements                                             | 1,820,174                      | 1,748,969                      | 1,653,993                    |
| Mining operations                                             | 1,305,938                      | 1,414,156                      | 1,097,353                    |
| Mine development                                              | 316,568                        | 312,942                        | 276,766                      |
| Other assets                                                  | 375,663                        | 265,373                        | 283,717                      |
| Total property, plant and equipment, accumulated depreciation | <u>11,798,119</u>              | <u>11,253,546</u>              | <u>9,980,244</u>             |
| Property, plant and equipment, net                            | December 31,<br>2010<br>ThUS\$ | December 31,<br>2009<br>ThUS\$ | January 1,<br>2009<br>ThUS\$ |
| Construction in progress                                      | 2,756,793                      | 2,492,101                      | 1,361,417                    |
| Land                                                          | 108,087                        | 106,924                        | 94,650                       |
| Buildings                                                     | 1,258,790                      | 1,190,164                      | 1,280,640                    |
| Plant and equipment                                           | 4,360,776                      | 4,028,205                      | 4,446,044                    |
| Fixtures and fittings                                         | 11,477                         | 6,158                          | 7,338                        |
| Motor vehicles                                                | 463,060                        | 453,887                        | 424,934                      |
| Land improvements                                             | 1,247,097                      | 1,023,198                      | 1,017,464                    |
| Mining operations                                             | 1,364,142                      | 1,156,339                      | 1,099,266                    |
| Mine development                                              | 420,976                        | 346,673                        | 382,793                      |
| Other assets                                                  | 360,232                        | 406,784                        | 393,104                      |
| Total property, plant and equipment, net                      | <u>12,351,430</u>              | <u>11,210,433</u>              | <u>10,507,650</u>            |



# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### b) Movement of Property, plant and equipment

| Movements                     | Construction<br>in progress | Land    | Buildings | Plant and<br>equipment | Fixtures and<br>fittings | Motor vehicles | Land<br>improvements | Mining<br>operations | Mine<br>development | Other<br>assets | Total       |
|-------------------------------|-----------------------------|---------|-----------|------------------------|--------------------------|----------------|----------------------|----------------------|---------------------|-----------------|-------------|
|                               | ThUS\$                      | ThUS\$  | ThUS\$    | ThUS\$                 | ThUS\$                   | ThUS\$         | ThUS\$               | ThUS\$               | ThUS\$              | ThUS\$          | ThUS\$      |
| Opening balance 1/1/2009      | 1,361,417                   | 94,650  | 1,280,640 | 4,446,044              | 7,338                    | 424,934        | 1,017,464            | 1,099,266            | 382,793             | 393,104         | 10,507,650  |
| Additions                     | 1,710,915                   | 1,581   | 535       | 8,850                  | 305                      | 68             | -                    | 262,022              | -                   | 107,927         | 2,092,203   |
| Disposals                     | (16,587)                    | (2,062) | 4,606     | (6,763)                | (45)                     | (256)          | 225                  | (50)                 | -                   | (48,917)        | (69,849)    |
| Capitalizations               | (452,531)                   | 14,318  | 21,312    | 194,556                | 10                       | 120,038        | 102,757              | -                    | 56                  | -               | 516         |
| Depreciation and amortization | -                           | -       | (120,034) | (629,188)              | (1,830)                  | (91,986)       | (94,976)             | (316,803)            | (36,176)            | 19,248          | (1,271,745) |
| Reclassifications             | (112,840)                   | (1,782) | (827)     | 8,917                  | 300                      | 983            | (2,272)              | 111,904              | -                   | (4,383)         | -           |
| Impairment                    | -                           | -       | -         | 1,867                  | -                        | -              | -                    | -                    | -                   | -               | 1,867       |
| Others                        | 1,727                       | 219     | 3,932     | 3,922                  | 80                       | 106            | -                    | -                    | -                   | (60,195)        | (50,209)    |
| Total movements               | 1,130,684                   | 12,274  | (90,476)  | (417,839)              | (1,180)                  | 28,953         | 5,734                | 57,073               | (36,120)            | 13,680          | 702,783     |
| Final balance 12/31/2009      | 2,492,101                   | 106,924 | 1,190,164 | 4,028,205              | 6,158                    | 453,887        | 1,023,198            | 1,156,339            | 346,673             | 406,784         | 11,210,433  |

| Movements                     | Construction<br>in progress | Land    | Buildings | Plant and<br>equipment | Fixtures and<br>fittings | Motor vehicles | Land<br>improvements | Mining<br>operations | Mine<br>development | Other<br>assets | Total       |
|-------------------------------|-----------------------------|---------|-----------|------------------------|--------------------------|----------------|----------------------|----------------------|---------------------|-----------------|-------------|
|                               | ThUS\$                      | ThUS\$  | ThUS\$    | ThUS\$                 | ThUS\$                   | ThUS\$         | ThUS\$               | ThUS\$               | ThUS\$              | ThUS\$          | ThUS\$      |
| Opening balance 1/1/2010      | 2,492,101                   | 106,924 | 1,190,164 | 4,028,205              | 6,158                    | 453,887        | 1,023,198            | 1,156,339            | 346,673             | 406,784         | 11,210,433  |
| Additions                     | 2,227,531                   | 172     | 4,761     | 16,383                 | 705                      | 27             | -                    | 324,906              | -                   | 39,618          | 2,614,103   |
| Disposals                     | (55,184)                    | (198)   | (14,981)  | (26,520)               | (523)                    | (6,820)        | (8,838)              | (26,957)             | -                   | (57,506)        | (197,527)   |
| Capitalizations               | (1,661,144)                 | 55      | 166,091   | 923,208                | 6,361                    | 105,288        | 335,136              | 4,901                | 107,015             | 13,089          | -           |
| Depreciation and amortization | -                           | -       | (97,258)  | (600,258)              | (1,610)                  | (92,054)       | (102,023)            | (317,433)            | (32,910)            | (47,303)        | (1,290,849) |
| Reclassifications             | (242,132)                   | -       | 11,088    | 727                    | 439                      | 2,732          | 4,562                | 222,386              | 198                 | -               | -           |
| Impairment                    | -                           | -       | -         | 1,867                  | -                        | -              | -                    | -                    | -                   | -               | 1,867       |
| Others                        | (4,379)                     | 1,134   | (1,075)   | 16,944                 | (53)                     | -              | (4,938)              | -                    | -                   | 5,550           | 13,183      |
| Total movements               | 264,692                     | 1,163   | 68,626    | 332,571                | 5,319                    | 9,173          | 223,899              | 207,803              | 74,303              | (46,552)        | 1,140,997   |
| Final balance 12/31/2010      | 2,756,793                   | 108,087 | 1,258,790 | 4,360,776              | 11,477                   | 463,060        | 1,247,097            | 1,364,142            | 420,976             | 360,232         | 12,351,430  |

- c) The value of construction in progress, is directly associated with the operating activities of the Corporation and its subsidiaries, and relates to the acquisition of equipment and projects in construction.
- d) The Corporation has contracted insurance policies to cover the potential risks to which the various elements of property, plant and equipment are subject to, and any claims that could arise from their activities. These policies provide adequate coverage of the potential risks.
- e) Revaluation of property, plant and equipment assets at the date of transition to IFRS.

At the date of transition to IFRS (January 1, 2009), the Corporation revaluated certain property, plant and equipment assets invoking the exemptions included in IFRS 1. This valuation was mainly focused on assigning value to those assets that according to Chilean GAAP, had accumulated depreciation equal or close to their gross value, but nevertheless continued to be employed in the Corporation's normal operations.

The work was performed by an independent consultant and was based mainly on the valuation model of Marston and Agg, which determined an increase in asset value of US\$1,804 million at January 1, 2009.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

| <b>Reconciliation of property, plant and equipment, net at January 1, 2009 between Chilean GAAP and IFRS</b> | ThUS\$                   |
|--------------------------------------------------------------------------------------------------------------|--------------------------|
| Property, plant and equipment, net under Chilean GAAP (net fixed assets) at January 1, 2009                  | 8,460,452                |
| Revaluation under IFRS 1 at January 1, 2009                                                                  | 1,803,700                |
| Impairment of assets as of January 1, 2009                                                                   | (38,597)                 |
| Capitalization of decommissioning costs at January 1, 2009                                                   | 283,355                  |
| Other IFRS effects                                                                                           | <u>(1,260)</u>           |
| Property, plant and equipment, net under IFRS at January 1, 2009                                             | <u><u>10,507,650</u></u> |

f) Restrictions on ownership and assets given in guarantee.

The Corporation currently has no ownership restrictions on Property, Plant and Equipment assets.

In addition, under no circumstance has management granted assets in guarantee to third parties to allow performance of its normal business activities or as a commitment to secure the payment of its obligations.

### 8. Investments Accounted for Using the Equity Method

The following table sets forth the carrying amount and the share of profit of the investments accounted for using the equity method:

|                                                | <b>Equity Method</b>     |                          |                         | <b>Accrued net income</b>        |                                  |
|------------------------------------------------|--------------------------|--------------------------|-------------------------|----------------------------------|----------------------------------|
|                                                | <b>December 31, 2010</b> | <b>December 31, 2009</b> | <b>January 1, 2009</b>  | <b>01-01-2010<br/>12-31-2010</b> | <b>01-01-2009<br/>12-31-2009</b> |
|                                                | ThUS\$                   | ThUS\$                   | ThUS\$                  | ThUS\$                           | ThUS\$                           |
| Associates equity method accounted investments | 1,234,139                | 1,100,156                | 966,870                 | 287,607                          | 287,633                          |
| Joint ventures                                 | 26,635                   | -                        | 117,600                 | 15,788                           | 23,018                           |
| Total                                          | <u><u>1,260,774</u></u>  | <u><u>1,100,156</u></u>  | <u><u>1,084,470</u></u> | <u><u>303,395</u></u>            | <u><u>310,651</u></u>            |

a) **Associates**

***Agua de la Falda S.A.***

At December 31, 2010, Codelco has a 43.28% interest in Agua de la Falda S.A., with the remaining 56.72% owned by Minera Meridian Limitada.

The corporate purpose of this company is to exploit deposits of gold and other minerals, in the third region of the country.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### ***Sociedad Contractual Minera El Abra***

Sociedad Contractual Minera El Abra was formed in 1994. At December 31, 2010, Codelco has a 49% interest in Sociedad Contractual Minera El Abra, with the remaining 51% owned by Cyprus El Abra Corporation, a subsidiary of Freeport-McMoRan Copper & Gold Inc.

Company activities involve the extraction, production and marketing of copper cathodes.

#### ***Sociedad Contractual Minera Purén***

At December 31, 2010, Codelco has a 35% interest in Sociedad Contractual Minera Purén, with the remaining 65% owned by Compañía Minera Mantos de Oro.

Its object is to explore, identify, survey, investigate, develop and exploit mineral deposits in order to extract, produce and process ore.

#### ***Sociedad Contractual Minera Sierra Mariposa***

At December 31, 2010 and January 1, 2009, Codelco has a 23.73% interest in Sociedad Contractual Minera Sierra Mariposa, with the remaining 76.27% owned by Exploraciones e Inversiones PD Chile Limitada.

Its object is to explore, identify, survey, investigate, develop and exploit mineral deposits in order to extract, produce and process ore concentrates or other mineral products.

#### ***Kairos Mining S.A.***

At December 31, 2010, Codelco has a 40% interest in Kairos Mining S.A., with the remaining 60% owned by Honeywell Chile S.A.

Its corporate purpose is to provide automation and control services for industrial and mining activities and to license technology and software licenses.

#### ***Mining Industry Robotic Solutions S.A.***

As at 31 December 2010, Codelco has a 36% interest in Mining Industry Robotic Solutions S.A., with the remainder owned by Support Company Limited 53%, Nippon Mining & Metals Co. Ltd., 9% and Kuka Roboter GmbH, 2%.

The company's corporate purpose is the research, design, creation, invention, manufacture, installation, supply, maintenance and marketing in any form or type of robot products, technology products of a robotic nature or complementary supplies necessary for the marketing and

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

maintenance of those products that can be used in the mining and metals industry and related services; to produce under license, license and market the licensing of products, processes and technology services of robotic nature for the mining and metallurgical industry, as well as any other form of use by third parties of products or services based on such technology. In addition the company can also form all types of companies and participate as a partner or shareholder in any existing company.

#### ***Sociedad GNL Mejillones S.A.***

At December 31, 2010, Codelco has a 37% interest in Sociedad GNL Mejillones S.A., with the remaining 63% owned by Suez Energy Andino S.A. These interests were established on November 5, 2010 when the Corporation did not increase the capital agreed by the meeting of shareholders of such company. Before the actual increase, both the Corporation and Suez Energy Andino S.A. had a 50% interest each.

Its corporate purpose is the production, storage, marketing, transportation and distribution of all types or classes of fuel, and the acquisition, construction, maintenance and operation of infrastructure facilities and physical works necessary for transport, reception, processing and storage both in Chile and abroad, singly or in partnership with third parties.

#### ***Comotech S.A.***

At December 31, 2010, Codelco has a 33.33% interest in Comotech S.A. through its indirect subsidiary Innovaciones en Cobre S.A., Molibdenos y Metales S.A. and Universidad de Chile, each own a 33.33% interest.

The company's corporate purpose is to carry out research activities to increase the demand of molybdenum at the national and international level through new and better applications, uses and/or markets.

#### ***Merger of Electric Energy Assets***

On November 6, 2009, Codelco and Suez Energy Andino S.A. (at that date, the indirect controller of E-CL S.A. through Inversiones Mejillones S.A. and Inversiones Tocopilla Ltda.) agreed to execute and sign the acts and contracts for the defined merger process to gather in a single company all of the shares and rights that Codelco and Suez Energy Andino S.A. own in E-CL SA, Electroandina SA, and other companies. This merge process included the following acts which directly affected the composition of the shareholders of this company:

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- The split on November 13, 2009, of Inversiones Mejillones S.A. (which until before this act was its direct controlling entity) into three entities: Inversiones Mejillones-1 S.A., Inversiones Mejillones- 2 S.A. and Inversiones Mejillones- 3 S.A., with the first two, as owners of 27.37% and 54.93% of E-CL S.A., respectively.
- The transformation on November 20, 2009, of Inversiones Tocopilla Ltda. (which until before the act was its indirect controlling entity through Mejillones- 1 S.A. e Inversiones Mejillones-2 S.A.) into Inversiones Tocopilla 1 S.A. and its split into three corporations: the continuing company Inversiones Tocopilla 1 S.A., Inversiones Tocopilla 2-A S.A. and Inversiones Tocopilla 2-B S.A., leaving the latter two as a direct controlling entities of 65.2% of Inversiones Mejillones-1 S.A. and Inversiones Mejillones-2 S.A. respectively.
- The December 29, 2009, merger between this company and Inversiones Tocopilla 1 S.A., where the latter was absorbed, which meant that the direct interest of Codelco in Inversiones Tocopilla 1 S.A., through a share swap, Codelco became a direct shareholder of E-CL S.A.

Therefore, at December 31, 2010, the ownership of E-CL S.A. is composed of a 16.35% direct interest held by Codelco, 11.78% by Inversiones Mejillones-1 S.A., 23.65% by Inversiones Mejillones 2 S.A. and 40.62% by Suez Energy Andino S.A., with a 7.6% remainder held by minority shareholders.

At December 31, 2010, the Corporation has a 16.3471% ownership interest in E-CL S.A., with 173,382,461 total shares. As a result the Corporation has the following ownership interest in the companies:

#### ***Inversiones Tocopilla 2-B S.A.***

At December 30, 2010, Codelco holds a 100% direct and indirect interest in Inversiones Tocopilla 2-B S.A.

The company's corporate purpose is the investment in any class of shares, corporate rights and other forms of participation in companies of any nature and to exercise the corresponding rights.

Through this company the Corporation holds a 23.65% indirect interest in E-CL S.A.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### ***E-CL S.A. (Formerly - Edelnor S.A.)***

At December 31, 2010, Codelco holds a 16.35% direct interest in E-CL S.A.

Its corporate purpose is the production, distribution and supply of electricity to industrial customers and mining companies established in the Northern part of Chile.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency)

| Associates                                  | Taxpayer<br>number | Functional<br>currency | Ownership percentage |            |            | Equity Method of Accounting |            |
|---------------------------------------------|--------------------|------------------------|----------------------|------------|------------|-----------------------------|------------|
|                                             |                    |                        | 12-31-2010           | 12-31-2009 | 01-01-2009 | 12-31-2010                  | 12-31-2009 |
|                                             |                    |                        | %                    | %          | %          | ThUS\$                      | ThUS\$     |
| Deutsche Geissdraht GmbH                    | Foreign            | EURO                   | 40.00%               | 40.00%     | 40.00%     | 4,141                       | 3,961      |
| Agua de la Falda S.A.                       | 96.801.450-1       | USD                    | 43.00%               | 43.00%     | 43.28%     | 5,810                       | 5,783      |
| Sociedad Contractual Minera El Abra         | 96.701.340-4       | USD                    | 49.00%               | 49.00%     | 49.00%     | 542,625                     | 448,014    |
| Minera Puren SCM                            | 76.028.880-2       | USD                    | 35.00%               | 35.00%     | 35.00%     | 5,407                       | 7,810      |
| Sociedad GNL Mejillones S.A.                | 76.775.710-7       | USD                    | 37.00%               | 50.00%     | 50.00%     | -                           | -          |
| Kairos Mining S.A.                          | 76.781.030-K       | CLP                    | 40.00%               | 40.00%     | 40.00%     | 105                         | 94         |
| MI Robotic Solutions S.A.                   | 76.869.100-2       | CLP                    | 36.00%               | 36.00%     | 36.00%     | 2,537                       | 2,238      |
| E - CL S.A.                                 | 88.006.900-4       | USD                    | 40.00%               | 16.35%     | 0.00%      | 672,409                     | 258,011    |
| Inversiones Tocopilla 2A S.A.               | 76.082.781-9       | USD                    | 0.00%                | 49.00%     | 0.00%      | -                           | 59,410     |
| Inversiones Tocopilla 2B S.A.               | 76.082.774-6       | USD                    | 0.00%                | 49.00%     | 0.00%      | -                           | 119,274    |
| Inversiones Mejillones 1 S.A. (1)           | 96.990.660-0       | USD                    | 0.00%                | 34.80%     | 0.00%      | -                           | 64,714     |
| Inversiones Mejillones 2 S.A. (1)           | 76.082.158-6       | USD                    | 0.00%                | 34.80%     | 0.00%      | -                           | 129,921    |
| Electroandina S.A. (2)                      | 96.731.500-1       | USD                    | 0.00%                | 0.00%      | 34.80%     | -                           | -          |
| Inversiones Tocopilla Ltda.                 | 78.835.420-7       | USD                    | 0.00%                | 0.00%      | 49.00%     | -                           | -          |
| Inversiones Mejillones S.A. (2)             | 96.990.660-0       | USD                    | 0.00%                | 0.00%      | 34.80%     | -                           | -          |
| Sociedad Contractual Minera Sierra Mariposa | 76.913.610-K       | USD                    | 0.00%                | 23.73%     | 23.73%     | -                           | -          |
| Others                                      |                    |                        |                      |            |            | 1,105                       | 926        |
| TOTAL                                       |                    |                        |                      |            |            | 1,234,139                   | 1,100,156  |

- (1) At December 31, 2009, although as a result of the division of Inversiones Mejillones S.A. (existing at January 1, 2009, indirectly a 66.75% interest in Inversiones Mejillones-1 S.A. and Inversiones Mejillones-2 S.A., it did not have control or management of these. Therefore, according to IFRS, they did not satisfy the conditions for inclusion in the consolidation of the Corporation's financial statements.
- (2) Although at January 1, 2009 Codelco had directly and indirectly a 66.75% interest in Electroandina S.A. and Inversiones Tocopilla S.A., it did not have control or management of these. Therefore, according to IFRS, they did not satisfy the conditions for inclusion in the Corporation's financial statements.

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The following tables provide details of the assets, liabilities and major movements in investments in associates accounted for under the equity method and their respective results during 2009 and 2010:

| <b>Assets and Liabilities</b>                 | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b>     | <b>January 1,<br/>2009</b>       |
|-----------------------------------------------|------------------------------|----------------------------------|----------------------------------|
|                                               | <u>ThUS\$</u>                | <u>ThUS\$</u>                    | <u>ThUS\$</u>                    |
| Current Assets                                | 1,725,246                    | 1,642,794                        | 597,649                          |
| Non-Current Assets                            | 3,611,736                    | 3,163,332                        | 2,289,867                        |
| Current Liabilities                           | 892,494                      | 1,211,534                        | 416,370                          |
| Non-Current Liabilities                       | 1,371,759                    | 572,775                          | 101,734                          |
| <b>Net income</b>                             |                              | <b>01-01-2010<br/>12-31-2010</b> | <b>01-01-2009<br/>12-31-2009</b> |
|                                               |                              | <u>ThUS\$</u>                    | <u>ThUS\$</u>                    |
| Revenue                                       |                              | 2,694,143                        | 2,327,259                        |
| Recurrent Expenses                            |                              | <u>2,048,076</u>                 | <u>1,387,278</u>                 |
| Profit (Loss) for the period                  |                              | <u>646,067</u>                   | <u>939,981</u>                   |
| <b>Movements of Investments in Associates</b> |                              | <b>01-01-2010<br/>12-31-2010</b> | <b>01-01-2009<br/>12-31-2009</b> |
|                                               |                              | <u>ThUS\$</u>                    | <u>ThUS\$</u>                    |
| Opening balance                               |                              | 1,100,156                        | 966,870                          |
| Contributions                                 |                              | -                                | 67,700                           |
| Dividends                                     |                              | (179,040)                        | (61,780)                         |
| Capital Reduction / Write-offs                |                              | (2)                              | (200,500)                        |
| Net income for the period                     |                              | 287,607                          | 287,633                          |
| Exchange differences                          |                              | 262                              | 1,076                            |
| Realized gains                                |                              | 4,778                            | 15,465                           |
| Transfer of negative equities                 |                              | 42,977                           | 41,922                           |
| Energy Group Merger                           |                              | -                                | (20,576)                         |
| Other comprehensive income                    |                              | -                                | 348                              |
| Others                                        |                              | <u>(22,599)</u>                  | <u>1,998</u>                     |
| Final Balance                                 |                              | <u>1,234,139</u>                 | <u>1,100,156</u>                 |



# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### b) Joint Ventures

At December 31, 2010, the Corporation participates in the Copper Partners Investment Company Limited Joint venture. This partnership dates from March 2006 when Codelco Chile through its subsidiary Codelco International Ltd., executed the agreement with Album Enterprises Limited (a subsidiary of Minmetals) to form the company, in which both companies hold equal interests.

| Joint venture                      | Tax payer number | Functional currency | Ownership percentage |                 |                 | Equity value         |                      |                      | Accrued net income                 |                                    |
|------------------------------------|------------------|---------------------|----------------------|-----------------|-----------------|----------------------|----------------------|----------------------|------------------------------------|------------------------------------|
|                                    |                  |                     | 12-31-2010<br>%      | 12-31-2009<br>% | 01-01-2009<br>% | 12-31-2010<br>ThUS\$ | 12-31-2009<br>ThUS\$ | 01-01-2009<br>ThUS\$ | 01-01-2010<br>12-31-2010<br>ThUS\$ | 01-01-2009<br>12-31-2009<br>ThUS\$ |
| Copper Partners Investment Company | Foreign          | USD                 | 50%                  | 50%             | 50%             | 26,635               | -                    | 117,600              | 15,788                             | 23,018                             |

| Assets and Liabilities                            | December 31,<br>2010<br>ThUS\$ | December 31,<br>2009<br>ThUS\$              | January 1,<br>2009<br>ThUS\$                |
|---------------------------------------------------|--------------------------------|---------------------------------------------|---------------------------------------------|
| Current assets                                    | 138,824                        | 116,362                                     | 108,032                                     |
| Non-current assets                                | 345,324                        | 381,975                                     | 418,636                                     |
| Current liabilities                               | 258,021                        | 296,917                                     | 46,639                                      |
| Non-current liabilities                           | 172,858                        | 330,103                                     | 244,829                                     |
| <b>Income</b>                                     |                                | <b>01-01-2010<br/>12-31-2010<br/>ThUS\$</b> | <b>01-01-2009<br/>12-31-2009<br/>ThUS\$</b> |
| Revenue                                           |                                | 434,426                                     | 309,902                                     |
| Costs of sales                                    |                                | (402,850)                                   | (263,867)                                   |
| Profit (Loss)                                     |                                | 31,576                                      | 46,035                                      |
| <b>Movements of investments in joint ventures</b> |                                | <b>01-01-2010<br/>12-31-2010<br/>ThUS\$</b> | <b>01-01-2009<br/>12-31-2009<br/>ThUS\$</b> |
| Opening Balance                                   |                                | -                                           | 117,600                                     |
| Net income for the period                         |                                | 15,788                                      | 23,018                                      |
| Distribution                                      |                                | (12,431)                                    | (17,679)                                    |
| Transfer of negative equities                     |                                | (64,342)                                    | 64,342                                      |
| Other comprehensive income                        |                                | 87,620                                      | (187,281)                                   |
| Final balance                                     |                                | 26,635                                      | -                                           |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### c) Fair Value of Investments for Which There Are Published Price Quotations

Investments in associates for which there are public quoted prices, have the following value for the Corporation, as set forth in the following table<sup>1</sup>:

| Entity                                         | December<br>31, 2010<br>ThUS\$ | December<br>31, 2009<br>ThUS\$ |
|------------------------------------------------|--------------------------------|--------------------------------|
| E-CL S.A. (Formerly Edelnor S.A.)              | 2,755,536                      | 1,942,616                      |
| Investment attributable to the Corporation 40% | 1,102,214                      | 777,046                        |

#### d) Interest in Negative Equities

The Corporation, at December 31, 2010 and December 31, 2009, has an interest in the following negative equities (amounts expressed in ThUS\$):

| Entity                                     | Ownership<br>percentage | Negative equity                |                                |
|--------------------------------------------|-------------------------|--------------------------------|--------------------------------|
|                                            |                         | December<br>31, 2010<br>ThUS\$ | December<br>31, 2009<br>ThUS\$ |
| Sociedad GNL Mejillones S.A.               | 37%                     | (116,152)                      | (41,924)                       |
| Copper Partners Investment Company Limited | 50%                     | -                              | (128,683)                      |

#### e) Additional Information about Unrealized Profit

The Corporation has recognized unrealized profit for purchases and sales of products, mining properties, fixed assets and ownership rights. The most significant transactions include the transaction carried out in 1994 for the initial contribution of mining properties to Sociedad Contractual Minera El Abra.

The balance of the unrealized profit to be recognized as of December 31, 2010 is ThUS\$86,240 (12/31/2009: ThUS\$91,018; 1/1/2009: ThUS\$106,483). This figure is shown deducting the investing in this company. The recognition of profit is performed in accordance with the depletion of the ore reserves of the company. In 2010 profit for ThUS\$4,778 (2009: ThUS\$15,465) was recognized.

Codelco carries out copper purchases and sales with this company. At December 31, 2001, December 31, 2009 and January 1, 2009, the value of finished products in Inventories does not have an unrealized profit provision.

<sup>1</sup> The fair value is determined from the quoted prices and the company's market presence, provided as financial background on the site <http://www.bolsadesantiago.com>

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 9. Subsidiaries

The following tables present a detail of the assets, liabilities and results of the Corporation's subsidiaries, prior to consolidation adjustments:

|                               | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b>     | <b>January 1,<br/>2009</b>       |
|-------------------------------|------------------------------|----------------------------------|----------------------------------|
| <b>Assets and Liabilities</b> | <u>ThUS\$</u>                | <u>ThUS\$</u>                    | <u>ThUS\$</u>                    |
| Current Assets                | 338,871                      | 304,403                          | 238,925                          |
| Non-Current Assets            | 721,681                      | 303,346                          | 360,581                          |
| Current Liabilities           | 231,351                      | 302,655                          | 196,135                          |
| Non-Current Liabilities       | 297,303                      | 248,441                          | 256,084                          |
|                               |                              | <b>01-01-2010<br/>12-31-2010</b> | <b>01-01-2009<br/>12-31-2009</b> |
| <b>Income</b>                 |                              | <u>ThUS\$</u>                    | <u>ThUS\$</u>                    |
| Revenue                       |                              | 1,273,466                        | 923,882                          |
| Costs                         |                              | <u>1,216,205</u>                 | <u>897,294</u>                   |
| Profit (Loss) for the period  |                              | <u><u>57,261</u></u>             | <u><u>26,588</u></u>             |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### 10. Intangible Assets Other Than Goodwill

#### a) Balance of Intangible Assets

| <b>Intangibles assets, gross</b>                   | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|----------------------------------------------------|------------------------------|------------------------------|----------------------------|
|                                                    | ThUS\$                       | ThUS\$                       | ThUS\$                     |
| Software Licenses                                  | 474                          | 536                          | 950                        |
| Water Rights                                       | 12,172                       | 12,172                       | 10,627                     |
| Others                                             | 15,806                       | 15,540                       | 13,310                     |
| <b>Total</b>                                       | <b>28,452</b>                | <b>28,248</b>                | <b>24,887</b>              |
| <b>Intangibles assets, acumulated amortization</b> | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|                                                    | ThUS\$                       | ThUS\$                       | ThUS\$                     |
| Software Licenses                                  | 346                          | 318                          | 229                        |
| Water Rights                                       | 6,550                        | 6,550                        | 6,550                      |
| Others                                             | -                            | -                            | -                          |
| <b>Total</b>                                       | <b>6,896</b>                 | <b>6,868</b>                 | <b>6,779</b>               |
| <b>Intangibles assets, neto</b>                    | <b>December 31,<br/>2010</b> | <b>December 31,<br/>2009</b> | <b>January 1,<br/>2009</b> |
|                                                    | ThUS\$                       | ThUS\$                       | ThUS\$                     |
| Software Licenses                                  | 128                          | 218                          | 721                        |
| Water Rights                                       | 5,622                        | 5,622                        | 4,077                      |
| Others                                             | 15,806                       | 15,540                       | 13,310                     |
| <b>Total</b>                                       | <b>21,556</b>                | <b>21,380</b>                | <b>18,108</b>              |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### b) Movement of Intangible Assets

| <b>Movements of Intangible Assets</b> | <b>Software licenses</b> | <b>Water rights</b> | <b>Others</b>        | <b>Total</b>         |
|---------------------------------------|--------------------------|---------------------|----------------------|----------------------|
| <b>Movements</b>                      | <b>ThUS\$</b>            | <b>ThUS\$</b>       | <b>ThUS\$</b>        | <b>ThUS\$</b>        |
| Opening balance 01.01.2009            | 721                      | 4,077               | 13,310               | 18,108               |
| Additions                             | 16                       | 1,545               | 2,027                | 3,588                |
| Disposal                              | (10)                     | -                   | -                    | (10)                 |
| Capitalized costs                     | 9                        | -                   | -                    | 9                    |
| Amortization                          | (526)                    | -                   | (1,237)              | (1,763)              |
| Reclassifications                     | -                        | -                   | -                    | -                    |
| Impairment                            | -                        | -                   | -                    | -                    |
| Other                                 | 8                        | -                   | 1,440                | 1,448                |
| Total movements                       | <u>(503)</u>             | <u>1,545</u>        | <u>2,230</u>         | <u>3,272</u>         |
| <b>Final balance 12.31.2009</b>       | <b><u>218</u></b>        | <b><u>5,622</u></b> | <b><u>15,540</u></b> | <b><u>21,380</u></b> |
| Opening balance 01.01.2010            | 218                      | 5,622               | 15,540               | 21,380               |
| Additions                             | 18                       | -                   | -                    | 18                   |
| Disposal                              | (1)                      | -                   | -                    | (1)                  |
| Capitalized costs                     | (90)                     | -                   | (352)                | (442)                |
| Amortization                          | (21)                     | -                   | -                    | (21)                 |
| Reclassifications                     | -                        | -                   | -                    | -                    |
| Impairment                            | -                        | -                   | 618                  | 618                  |
| Other                                 | 4                        | -                   | -                    | 4                    |
| Total movements                       | <u>(90)</u>              | <u>-</u>            | <u>266</u>           | <u>176</u>           |
| <b>Final balance 12.31.2010</b>       | <b><u>128</u></b>        | <b><u>5,622</u></b> | <b><u>15,806</u></b> | <b><u>21,556</u></b> |

### c) Research and Development

| <b>Research and development</b>                                                 | <b>1-1-2010<br/>12-31-2010</b> | <b>1-1-2009<br/>12-31-2009</b> |
|---------------------------------------------------------------------------------|--------------------------------|--------------------------------|
|                                                                                 | <b>ThUS\$</b>                  | <b>ThUS\$</b>                  |
| Disbursements for research and development recognized as expenses in the period | 72,375                         | 86,864                         |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 11. Other Non-Current Non-Financial Assets

The detail of the item Other non-current non-financial assets of the Statement of Financial Position at December 31, 2010, December 31, 2009 and January 1, 2009 is as follows:

| Other non-current non-financial assets | December 31,<br>2010<br>ThUS\$ | December 31,<br>2009<br>ThUS\$ | January 1,<br>2009<br>ThUS\$ |
|----------------------------------------|--------------------------------|--------------------------------|------------------------------|
| Anglo American Purchase Option (1)     | 155,700                        | 155,700                        | 155,700                      |
| Reserved Law Asset (2)                 | 38,199                         | 41,864                         | 45,530                       |
| Others                                 | 9,606                          | 8,568                          | 25,684                       |
| Total                                  | <b>203,505</b>                 | <b>206,132</b>                 | <b>226,914</b>               |

- (1) On December 19, 2008, Empresa Nacional de Minería (ENAMI) assigned Codelco Chile the right to acquire up to 49% of the shares of Anglo American Sur S.A. This right may be exercised by the Corporation until 2027, deciding whether or not to exercise every three years.
- (2) It corresponds to the recording of the commitment related to Law 13,196, for the advance received for the copper sales contract signed with Copper Partners Investment Company Limited. This amount will be amortized according to the shipments made.

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### 12. Current and Non-Current Financial Assets

The following tables show the breakdown of the current and non-current financial assets included in the statement of financial position:

| December 31, 2010                                     |                                      |                       |                     |                    |                        |
|-------------------------------------------------------|--------------------------------------|-----------------------|---------------------|--------------------|------------------------|
| Classification in the statement of financial position | At fair value through profit or loss | Loans and receivables | Hedging derivatives | Available for sale | Total Financial Assets |
|                                                       | ThUS\$                               | ThUS\$                | ThUS\$              | ThUS\$             | ThUS\$                 |
| Cash and cash equivalents                             | 61,855                               | 812,184               | -                   | -                  | 874,039                |
| Trade and other current receivables                   | 2,303,951                            | 410,055               | -                   | -                  | 2,714,006              |
| Rights receivable, non - current                      | -                                    | 198,785               | -                   | -                  | 198,785                |
| Due from related companies, current                   | -                                    | 157,954               | -                   | -                  | 157,954                |
| Due from related companies, non-current               | -                                    | 104,896               | -                   | -                  | 104,896                |
| Other current financial assets                        | -                                    | 8,117                 | 187,021             | -                  | 195,138                |
| Other non-current financial assets                    | -                                    | 7,826                 | 173,299             | -                  | 181,125                |
| Total                                                 | 2,365,806                            | 1,699,817             | 360,320             | -                  | 4,425,943              |

| December 31, 2009                                     |                                      |                       |                     |                    |                        |
|-------------------------------------------------------|--------------------------------------|-----------------------|---------------------|--------------------|------------------------|
| Classification in the statement of financial position | At fair value through profit or loss | Loans and receivables | Hedging derivatives | Available for sale | Total Financial Assets |
|                                                       | ThUS\$                               | ThUS\$                | ThUS\$              | ThUS\$             | ThUS\$                 |
| Cash and cash equivalents                             | 16,454                               | 756,622               | -                   | -                  | 773,076                |
| Trade and other current receivables                   | 1,684,147                            | 377,879               | -                   | -                  | 2,062,026              |
| Rights receivable, non - current                      | -                                    | 198,102               | -                   | -                  | 198,102                |
| Due from related companies, current                   | -                                    | 229,181               | -                   | -                  | 229,181                |
| Due from related companies, non-current               | -                                    | 358,259               | -                   | -                  | 358,259                |
| Other current financial assets                        | -                                    | 7,920                 | 284,964             | -                  | 292,884                |
| Other non-current financial assets                    | -                                    | 7,600                 | 150,601             | -                  | 158,201                |
| Total                                                 | 1,700,601                            | 1,935,563             | 435,565             | -                  | 4,071,729              |

| January 1, 2009                                       |                                      |                       |                     |                    |                        |
|-------------------------------------------------------|--------------------------------------|-----------------------|---------------------|--------------------|------------------------|
| Classification in the statement of financial position | At fair value through profit or loss | Loans and receivables | Hedging derivatives | Available for sale | Total Financial Assets |
|                                                       | ThUS\$                               | ThUS\$                | ThUS\$              | ThUS\$             | ThUS\$                 |
| Cash and cash equivalents                             | 9,414                                | 383,783               | -                   | -                  | 393,197                |
| Trade and other current receivables                   | 483,737                              | 351,630               | -                   | -                  | 835,367                |
| Rights receivable, non - current                      | -                                    | 149,234               | -                   | -                  | 149,234                |
| Due from related companies, current                   | -                                    | 115,694               | -                   | -                  | 115,694                |
| Due from related companies, non-current               | -                                    | 224                   | -                   | -                  | 224                    |
| Other current financial assets                        | -                                    | 5,712                 | 380,301             | -                  | 386,013                |
| Other non-current financial assets                    | -                                    | 6,279                 | 6,278               | -                  | 12,557                 |
| Total                                                 | 493,151                              | 1,012,556             | 386,579             | -                  | 1,892,286              |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- **Financial assets designated as fair value through profit or loss:** At December 31, 2010, this category mainly includes unfinished product sale invoices and mutual fund investments made by Codelco Chile subsidiaries.
- **Loans granted and receivables:** These correspond to financial assets with fixed or determinable payments that are not traded in an active market.

No material impairments were recognized in accounts receivable.

- **Hedging derivatives:** Correspond to the receivable balances for derivative contracts, for the exposure generated by existing operations. The detail of derivative transactions is included in Note 27.
- **Available-for-sale financial assets:** These correspond primarily to non-derivative financial assets that are specifically designated as available for sale or are not classified as: a) loans and receivables, b) investments held to maturity or c) financial assets carried at fair value through profit or loss.

Within the period presented, there was no reclassification of financial instruments among the different categories established under IAS 39.

### 13. Interest-Bearing Borrowings

Current and non-current interest-bearing borrowings correspond to Borrowings from financial institutions, Bond obligations and Financial leases, which are recorded by the Corporation at amortized cost using the effective interest rate method.

These items are generated by the following situations:

- ***Borrowings from financial institutions:***

The loans obtained by the Corporation for up to a twelve-month term, contracted at the market interest rate to finance its production operations oriented to for the foreign market.

The loans obtained by the Corporation for terms that exceed twelve month are mainly to finance the investments required for the production process.



## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- **Bond obligations:**

On May 4, 1999, the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$300,000. These bonds were payable in a single installment on May 1, 2009, with a 7.375% annual interest rate and with six-monthly interest payments.

On November 18, 2002, the Corporation issued and placed bonds in the domestic market, under the rules of the Superintendency of Securities and Insurance. These bonds were issued for a nominal amount of UF7,000,000, in a single series denominated Series A, and consists of 70,000 bonds for UF100 each. These bonds are payable in a single installment on September 1, 2012, with a 4.0% annual interest rate and with six-monthly interest payments.

On November 30, 2002, the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$435,000. These bonds are payable in a single installment on November 30, 2012, with a 6.375% annual interest rate and with six-monthly interest payments.

On October 15, 2003, the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on October 15, 2013, with a 5.5% annual interest rate and with six-monthly interest payments.

On October 15, 2004, the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on October 15, 2014, with a 4.750% annual interest rate and with six-monthly interest payments.

On May 10, 2005, the Corporation issued and placed bonds in the domestic market for a nominal amount of UF6,900,000, in a single series denominated Series B, and consists of 6,900 bonds for UF1,000 each. These bonds are payable in a single installment on April 1, 2025, with a 3.29% annual interest rate and with six-monthly interest payments.

On September 21, 2005, the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on September 21, 2035, with a 5.6250% annual interest rate and with six-monthly interest payments.

On October 19, 2006, the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds are payable in a single installment on October 24, 2036, with a 6.15% annual interest rate and with six-monthly interest payments.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

On January 20, 2009, the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$600,000. These bonds mature in a single installment on January 15, 2019, at an interest rate of 7.5% per annum with interest paid semi-annually.

On November 4, 2010 the Corporation issued and placed bonds in the U.S. market under Rule 144-A and Regulation S, for a nominal amount of ThUS\$1,000,000. These bonds mature in a single installment on November 4, 2020, at an interest rate of 3.75% per annum with interest paid semi-annually.

**- Financial debt commissions and expenses:**

Obtaining financial resources generates, in addition to the interest rate, fees and other expenses charged by the financial institutions, and the Corporation receives the net value of the loans. These expenses are amortized based on the effective interest rate by the amortized cost method.

**- Finance leases:**

Financial leasing transactions are generated for service contracts, principally for buildings and machinery.

The following tables detail the composition of the Other financial liabilities, current and non-current.

| Items                         | December 31, 2010        |                   |           |                          |                   |           |
|-------------------------------|--------------------------|-------------------|-----------|--------------------------|-------------------|-----------|
|                               | Current                  |                   |           | Non-Current              |                   |           |
|                               | Loans and other payables | Hedge derivatives | Total     | Loans and other payables | Hedge derivatives | Total     |
|                               | ThUS\$                   | ThUS\$            | ThUS\$    | ThUS\$                   | ThUS\$            | ThUS\$    |
| Loans from financial entities | 340,613                  | -                 | 340,613   | 1,296,050                | -                 | 1,296,050 |
| Bonds                         | 61,933                   | -                 | 61,933    | 4,647,841                | -                 | 4,647,841 |
| Financial lease               | 17,367                   | -                 | 17,367    | 122,503                  | -                 | 122,503   |
| Hedge obligations             | -                        | 1,493,312         | 1,493,312 | -                        | 1,028,308         | 1,028,308 |
| Other financial liabilities   | 5,683                    | -                 | 5,683     | 94,780                   | -                 | 94,780    |
| Total                         | 425,596                  | 1,493,312         | 1,918,908 | 6,161,174                | 1,028,308         | 7,189,482 |

| Items                         | December 31, 2009        |                   |           |                          |                   |           |
|-------------------------------|--------------------------|-------------------|-----------|--------------------------|-------------------|-----------|
|                               | Current                  |                   |           | Non-Current              |                   |           |
|                               | Loans and other payables | Hedge derivatives | Total     | Loans and other payables | Hedge derivatives | Total     |
|                               | ThUS\$                   | ThUS\$            | ThUS\$    | ThUS\$                   | ThUS\$            | ThUS\$    |
| Loans from financial entities | 215,026                  | -                 | 215,026   | 795,779                  | -                 | 795,779   |
| Bonds                         | 55,183                   | -                 | 55,183    | 3,601,966                | -                 | 3,601,966 |
| Financial lease               | 20,734                   | -                 | 20,734    | 132,318                  | -                 | 132,318   |
| Hedge obligations             | -                        | 1,097,233         | 1,097,233 | -                        | 1,736,546         | 1,736,546 |
| Other financial liabilities   | 6,246                    | -                 | 6,246     | 71,917                   | -                 | 71,917    |
| Total                         | 297,189                  | 1,097,233         | 1,394,422 | 4,601,980                | 1,736,546         | 6,338,526 |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

| Items                         | January 1, 2009             |                      |           |                             |                      |           |
|-------------------------------|-----------------------------|----------------------|-----------|-----------------------------|----------------------|-----------|
|                               | Current                     |                      |           | Non-Current                 |                      |           |
|                               | Loans and<br>other payables | Hedge<br>derivatives | Total     | Loans and<br>other payables | Hedge<br>derivatives | Total     |
|                               | ThUS\$                      | ThUS\$               | ThUS\$    | ThUS\$                      | ThUS\$               | ThUS\$    |
| Loans from financial entities | 858,054                     | -                    | 858,054   | 646,924                     | -                    | 646,924   |
| Bonds                         | 336,849                     | -                    | 336,849   | 2,901,237                   | -                    | 2,901,237 |
| Financial lease               | 14,609                      | -                    | 14,609    | 130,832                     | -                    | 130,832   |
| Hedge obligations             | -                           | 14,740               | 14,740    | -                           | 246,920              | 246,920   |
| Other financial liabilities   | 8,531                       | -                    | 8,531     | 48,480                      | -                    | 48,480    |
| Total                         | 1,218,043                   | 14,740               | 1,232,783 | 3,727,473                   | 246,920              | 3,974,393 |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currencies)

At December 31, 2010, the detail of Borrowings from financial institutions and Bond obligations is as follows:

| Type of Debt                          | Institution               | Maturity   | Rate     | Currency | Amount    | Type of amortization | Payment of interest | Nominal rate |
|---------------------------------------|---------------------------|------------|----------|----------|-----------|----------------------|---------------------|--------------|
| <b>Loans with financial entities:</b> |                           |            |          |          |           |                      |                     |              |
| Export Pre-Funding Credit             | Bank of Tokyo-Mitsubishi  | 12-22-2015 | Floating | US\$     | 100,000   | Maturity             | Quarterly           | 1.05         |
| Export Pre-Funding Credit             | HSBC Bank Bermuda Limited | 12-17-2015 | Floating | US\$     | 162,500   | Maturity             | Quarterly           | 1.15         |
| Export Pre-Funding Credit             | BBVA Bancomer             | 09-27-2014 | Floating | US\$     | 400,000   | Maturity             | Quarterly           | 0.45         |
| Export Pre-Funding Credit             | Bank of Tokyo-Mitsubishi  | 06-29-2011 | Floating | US\$     | 100,000   | Maturity             | Quarterly           | 0.65         |
| Export Pre-Funding Credit             | Banco Santander           | 12-09-2011 | Floating | US\$     | 200,000   | Maturity             | Quarterly           | 0.95         |
| Export Pre-Funding Credit             | Export. Dev. Canada       | 12-28-2015 | Floating | US\$     | 250,000   | Maturity             | Quarterly           | 1.10         |
| Export Pre-Funding Credit             | Export. Dev. Canada       | 03-26-2012 | Floating | US\$     | 200,000   | Maturity             | Quarterly           | 0.95         |
| Export Pre-Funding Credit             | Banco Santander Londres   | 11-30-2015 | Floating | US\$     | 75,000    | Maturity             | Quarterly           | 1.14         |
| Export Pre-Funding Credit             | Banco Santander           | 12-23-2015 | Floating | US\$     | 100,000   | Maturity             | Quarterly           | 1.15         |
|                                       | Other institutions        |            |          |          |           |                      |                     |              |
| Total                                 |                           |            |          |          |           |                      |                     |              |
| <b>Bonds:</b>                         |                           |            |          |          |           |                      |                     |              |
| BCODE-A                               | Banco de Chile - B. in UF | 09-01-2012 | Fixed    | U.F.     | 7,000,000 | Maturity             | Semi-annual         | 3.96         |
| 144-A REG.S                           | JP - Morgan               | 11-30-2012 | Fixed    | US\$     | 435,000   | Maturity             | Semi-annual         | 6.38         |
| 144-A REG.S                           | JP - Morgan               | 10-15-2013 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 5.50         |
| 144-A REG.S                           | HSBC USA                  | 10-15-2014 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 4.75         |
| BCODE-B                               | Banco de Chile - B. in UF | 04-01-2025 | Fixed    | U.F.     | 6,900,000 | Maturity             | Semi-annual         | 4.00         |
| 144-A REG.S                           | JP - Morgan               | 09-21-2035 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 5.63         |
| 144-A REG.S                           | The Deutsche Bank         | 10-24-2036 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 6.15         |
| 114-A REG.S                           | JP - Morgan               | 01-15-2019 | Fixed    | US\$     | 600,000   | Maturity             | Semi-annual         | 7.50         |
| 114-A REG.S                           | HSBC USA                  | 11-04-2020 | Fixed    | US\$     | 1,000,000 | Maturity             | Semi-annual         | 3.75         |
| Total                                 |                           |            |          |          |           |                      |                     |              |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currencies)

| Type of Debt                          | Institution               | Maturity   | Rate     | Currency | Amount    | Type of amortization | Payment of interest | Nominal rate |
|---------------------------------------|---------------------------|------------|----------|----------|-----------|----------------------|---------------------|--------------|
| <b>Loans with financial entities:</b> |                           |            |          |          |           |                      |                     |              |
| Export Pre-Funding Credit             | Bank of Tokyo-Mitsubishi  | 12-23-2010 | Floating | US\$     | 100,000   | Maturity             | Quarterly           | 0.63%        |
| Export Pre-Funding Credit             | HSBC Bank USA             | 12-30-2010 | Floating | US\$     | 100,000   | Maturity             | Monthly             | 0.79%        |
| Export Pre-Funding Credit             | BBVA Bancomer             | 09-27-2014 | Floating | US\$     | 400,000   | Maturity             | Semi-annual         | 0.44%        |
| Export Pre-Funding Credit             | Export. Dev. Canada       | 03-26-2012 | Floating | US\$     | 200,000   | Maturity             | Quarterly           | 1.24%        |
| Export Pre-Funding Credit             | Banco Santander           | 12-09-2011 | Floating | US\$     | 200,000   | Maturity             | Quarterly           | 1.20%        |
|                                       | Other institutions        |            |          |          |           |                      |                     |              |
| Total                                 |                           |            |          |          |           |                      |                     |              |
| <b>Bonds:</b>                         |                           |            |          |          |           |                      |                     |              |
| BCODE-A                               | Banco de Chile - B. in UF | 09-01-2012 | Fixed    | U.F.     | 7,000,000 | Maturity             | Semi-annual         | 4.00%        |
| 144-A REG.S                           | JP - Morgan               | 11-30-2012 | Fixed    | US\$     | 435,000   | Maturity             | Semi-annual         | 6.38%        |
| 144-A REG.S                           | JP - Morgan               | 10-15-2013 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 5.50%        |
| 144-A REG.S                           | HSBC USA                  | 10-15-2014 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 4.75%        |
| BCODE-B                               | Banco de Chile - B. in UF | 04-01-2025 | Fixed    | U.F.     | 6,900,000 | Maturity             | Semi-annual         | 3.29%        |
| 144-A REG.S                           | JP - Morgan               | 09-21-2035 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 5.63%        |
| 144-A REG.S                           | The Deutsche Bank         | 10-24-2036 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 6.15%        |
| 114-A REG.S                           | JP - Morgan               | 01-15-2019 | Fixed    | US\$     | 600,000   | Maturity             | Semi-annual         | 7.50%        |
| Total                                 |                           |            |          |          |           |                      |                     |              |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency)

| Type of Debt                          | Institution               | Maturity   | Rate     | Currency | Amount    | Type of amortization | Payment of interest | Nominal rate |
|---------------------------------------|---------------------------|------------|----------|----------|-----------|----------------------|---------------------|--------------|
| <b>Loans with financial entities:</b> |                           |            |          |          |           |                      |                     |              |
| Export Pre-Funding Credit             | ABN AMRO Bank             | 12-24-2009 | Floating | US\$     | 200,000   | Maturity             | Monthly             | 2.65%        |
| Export Pre-Funding Credit             | Export. Dev. Canada       | 03-31-2009 | Floating | US\$     | 100,000   | Maturity             | Monthly             | 1.81%        |
| Export Pre-Funding Credit             | Export. Dev. Canada       | 11-30-2010 | Floating | US\$     | 150,000   | Maturity             | Quarterly           | 3.04%        |
| Export Pre-Funding Credit             | Bank of Tokyo-Mitsubishi  | 06-25-2009 | Floating | US\$     | 350,000   | Maturity             | Quarterly           | 4.60%        |
| Export Pre-Funding Credit             | HSBC Bank USA             | 01-27-2009 | Floating | US\$     | 250,000   | Maturity             | Monthly             | 2.68%        |
| Syndicated loan                       | BBVA Bancomer             | 09-27-2014 | Floating | US\$     | 400,000   | Maturity             | Semi-annual         | 3.30%        |
|                                       | Other institutions        |            |          |          |           |                      |                     |              |
| Total                                 |                           |            |          |          |           |                      |                     |              |
| <b>Bonds:</b>                         |                           |            |          |          |           |                      |                     |              |
| 144-A REG. S                          | Merrill Lynch             | 05-04-2009 | Fixed    | US\$     | 300,000   | Maturity             | Semi-annual         | 7.38%        |
| 144-A REG. S                          | JP - Morgan               | 11-30-2012 | Fixed    | US\$     | 435,000   | Maturity             | Semi-annual         | 6.38%        |
| 144-A REG. S                          | JP - Morgan               | 10-15-2013 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 5.50%        |
| 144-A REG. S                          | HSBC USA                  | 10-15-2014 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 4.75%        |
| 144-A REG. S                          | JP - Morgan               | 09-21-2035 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 5.63%        |
| 144-A REG. S                          | The Deutsche Bank         | 10-24-2036 | Fixed    | US\$     | 500,000   | Maturity             | Semi-annual         | 6.15%        |
| BCODE SERIES A                        | Banco de Chile - B. in UF | 09-01-2012 | Fixed    | UF       | 7,000,000 | Maturity             | Semi-annual         | 3.96%        |
| BCODE SERIES B                        | Banco de Chile - B. in UF | 04-01-2025 | Fixed    | UF       | 6,900,000 | Maturity             | Semi-annual         | 4.00%        |
| Total                                 |                           |            |          |          |           |                      |                     |              |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency)

The amounts due undiscounted that the Corporation has with financial institutions are summarized as follows:

| Debtor's name   | The debtor country | Creditor's name               | Creditor country         | Currency | Effective interest rate | Nominal rate | Type of amortization | December 31, 2010        |                     |                      |
|-----------------|--------------------|-------------------------------|--------------------------|----------|-------------------------|--------------|----------------------|--------------------------|---------------------|----------------------|
|                 |                    |                               |                          |          |                         |              |                      | Less than 90 days ThUS\$ | Over 90 days ThUS\$ | Total current ThUS\$ |
| Codelco Chile   | Chile              | BBVA Bancomer S.A.            | United states of America | US\$     | 0.45280%                | 0.45280%     | Semi annual          | 453                      | 1,358               | 1,811                |
| Codelco Chile   | Chile              | BBVA Santander S.A.           | United states of America | US\$     | 0.95219%                | 0.95219%     | Semi annual          | 360                      | 201,465             | 201,825              |
| Codelco Chile   | Chile              | EDC                           | Canada                   | US\$     | 0.95281%                | 0.95281%     | Semi annual          | 471                      | 1,435               | 1,906                |
| Codelco Chile   | Chile              | Banco Santander Londres       | United states of America | US\$     | 1.14438%                | 1.14438%     | Semi annual          | 141                      | 718                 | 859                  |
| Codelco Chile   | Chile              | HSBC Bank Bermuda Limited     | Bermudas                 | US\$     | 1.15188%                | 1.15188%     | Semi annual          | 395                      | 1,477               | 1,872                |
| Codelco Chile   | Chile              | Bank of Tokyo Mitsubishi Ltd. | United states of America | US\$     | 1.05281%                | 1.05281%     | Semi annual          | 237                      | 816                 | 1,053                |
| Codelco Chile   | Chile              | Banco Santander S.A.          | United states of America | US\$     | 1.15281%                | 1.15281%     | Semi annual          | 263                      | 890                 | 1,153                |
| Codelco Chile   | Chile              | EDC                           | Canada                   | US\$     | 1.10281%                | 1.10281%     | Semi annual          | 666                      | 2,091               | 2,757                |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 6.37500%                | 6.37500%     | Semi annual          | 11,555                   | 16,177              | 27,732               |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 5.50000%                | 5.50000%     | Semi annual          | 7,944                    | 19,556              | 27,500               |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 4.75000%                | 4.75000%     | Semi annual          | 6,861                    | 16,889              | 23,750               |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 5.62500%                | 5.62500%     | Semi annual          | 6,094                    | 22,031              | 28,125               |
| Codelco Chile   | Chile              | Deutsche Bank Securities Inc. | United states of America | US\$     | 6.15000%                | 6.15000%     | Semi annual          | 9,738                    | 21,013              | 30,751               |
| Codelco Chile   | Chile              | HSBC                          | United states of America | US\$     | 7.50000%                | 7.50000%     | Semi annual          | 1,750                    | 43,250              | 45,000               |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 3.75000%                | 3.75000%     | Semi annual          | 12,917                   | 24,583              | 37,500               |
| Total ThUS\$    |                    |                               |                          |          |                         |              |                      | 59,845                   | 373,749             | 433,594              |
| Codelco Chile   | Chile              | Banco de Chile                | Chile                    | U.F.     | 3.96080%                | 3.96080%     | Semi annual          | 43,899                   | 233,357             | 277,256              |
| Codelco Chile   | Chile              | Banco de Chile                | Chile                    | U.F.     | 4.00000%                | 4.00000%     | Semi annual          | 92,000                   | 184,000             | 276,000              |
| Total U.F.      |                    |                               |                          |          |                         |              |                      | 135,899                  | 417,357             | 553,256              |
| Subtotal ThUS\$ |                    |                               |                          |          |                         |              |                      | 6,230                    | 19,133              | 25,363               |
| Total ThUS\$    |                    |                               |                          |          |                         |              |                      | 66,075                   | 392,882             | 458,957              |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency)

| December 31, 2009 |                    |                               |                          |          |                         |              |                      | Current                  |                     |                      |
|-------------------|--------------------|-------------------------------|--------------------------|----------|-------------------------|--------------|----------------------|--------------------------|---------------------|----------------------|
| Debtor's name     | The debtor country | Creditor's name               | Creditor country         | Currency | Effective interest rate | Nominal rate | Type of amortization | Less than 90 days ThUS\$ | Over 90 days ThUS\$ | Total current ThUS\$ |
| Codelco Chile     | Chile              | The Bank of Tokyo-Mitsubishi  | United states of America | US\$     | 0.59875%                | 0.59875%     | Quartely             | 136                      | 321                 | 457                  |
| Codelco Chile     | Chile              | HSBC Bank US National         | United states of America | US\$     | 0.75063%                | 0.75063%     | Quartely             | 186                      | 573                 | 759                  |
| Codelco Chile     | Chile              | BBVA Bancomer S.A.            | United states of America | US\$     | 0.43250%                | 0.43250%     | Quartely             | 433                      | 1,298               | 1,731                |
| Codelco Chile     | Chile              | Banco Santander S.A.          | United states of America | US\$     | 1.20656%                | 1.20656%     | Quartely             | 456                      | 1,957               | 2,413                |
| Codelco Chile     | Chile              | EDC                           | Canada                   | US\$     | 1.58250%                | 1.58250%     | Quartely             | 791                      | 2,374               | 3,165                |
| Codelco Chile     | Chile              | The Bank of New York          | United states of America | US\$     | 6.37500%                | 6.37500%     | Semi annual          | 6,933                    | 20,798              | 27,731               |
| Codelco Chile     | Chile              | The Bank of New York          | United states of America | US\$     | 5.50000%                | 5.50000%     | Semi annual          | 6,875                    | 20,625              | 27,500               |
| Codelco Chile     | Chile              | The Bank of New York          | United states of America | US\$     | 4.75000%                | 4.75000%     | Semi annual          | 5,938                    | 17,813              | 23,751               |
| Codelco Chile     | Chile              | The Bank of New York          | United states of America | US\$     | 5.62500%                | 5.62500%     | Semi annual          | 7,031                    | 21,094              | 28,125               |
| Codelco Chile     | Chile              | Deutsche Bank Securities Inc. | United states of America | US\$     | 6.15000%                | 6.15000%     | Semi annual          | 7,688                    | 23,063              | 30,751               |
| Codelco Chile     | Chile              | HSBC                          | United states of America | US\$     | 7.50000%                | 7.50000%     | Semi annual          | 11,250                   | 33,750              | 45,000               |
| Total ThUS\$      |                    |                               |                          |          |                         |              |                      | 47,717                   | 143,666             | 191,383              |
| Codelco Chile     | Chile              | Banco de Chile                | Chile                    | U.F.     | 3.96800%                | 3.96800%     | Semi annual          | 69,314                   | 207,942             | 277,256              |
| Codelco Chile     | Chile              | Banco de Chile                | Chile                    | U.F.     | 4.00000%                | 4.00000%     | Semi annual          | 69,000                   | 207,000             | 276,000              |
| Total U.F.        |                    |                               |                          |          |                         |              |                      | 138,314                  | 414,942             | 553,256              |
| Subtotal ThUS\$   |                    |                               |                          |          |                         |              |                      | 5,712                    | 17,137              | 22,849               |
| Total ThUS\$      |                    |                               |                          |          |                         |              |                      | 53,429                   | 160,803             | 214,232              |



# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency)

| Debtor's name   | The debtor country | Creditor's name               | Creditor country         | Currency | Effective interest rate | Nominal rate | Type of amortization | December 31, 2008        |                     |                      |
|-----------------|--------------------|-------------------------------|--------------------------|----------|-------------------------|--------------|----------------------|--------------------------|---------------------|----------------------|
|                 |                    |                               |                          |          |                         |              |                      | Current                  |                     |                      |
|                 |                    |                               |                          |          |                         |              |                      | Less than 90 days ThUS\$ | Over 90 days ThUS\$ | Total current ThUS\$ |
| Codelco Chile   | Chile              | ABN-AMOR Bank N.V.            | United states of America | US\$     | 3.11625%                | 3.11625%     | Quartely             | 60,467                   | -                   | 60,467               |
| Codelco Chile   | Chile              | ABN-AMOR Bank N.V.            | United states of America | US\$     | 3.11625%                | 3.11625%     | Quartely             | 141,091                  | -                   | 141,091              |
| Codelco Chile   | Chile              | The Bank of Tokyo-Mitsubishi  | United states of America | US\$     | 3.56625%                | 3.56625%     | Quartely             | 50,436                   | -                   | 50,436               |
| Codelco Chile   | Chile              | HSBC Bank                     | United states of America | US\$     | 2.22125%                | 2.22125%     | Monthly              | 250,478                  | -                   | 250,478              |
| Codelco Chile   | Chile              | EDC                           | Canada                   | US\$     | 1.80625%                | 1.80625%     | Monthly              | 100,161                  | -                   | 100,161              |
| Codelco Chile   | Chile              | EDC                           | Canada                   | US\$     | 0.84625%                | 0.84625%     | Monthly              | 100,073                  | -                   | 100,073              |
| Codelco Chile   | Chile              | EDC                           | Canada                   | US\$     | 3.03563%                | 3.03563%     | Quartely             | 1,138                    | 3,415               | 4,553                |
| Codelco Chile   | Chile              | BBVA Bancomer                 | United states of America | US\$     | 1.59130%                | 1.59130%     | Quartely             | 1,609                    | 4,774               | 6,383                |
| Codelco Chile   | Chile              | The Bank of Tokyo             | United states of America | US\$     | 1.71625%                | 1.71625%     | Quartely             | 1,301                    | 3,862               | 5,163                |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 7.37500%                | 7.37500%     | Semi annual          | 5,531                    | 301,905             | 307,436              |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 6.37500%                | 6.37500%     | Semi annual          | 6,933                    | 20,798              | 27,731               |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 5.50000%                | 5.50000%     | Semi annual          | 6,875                    | 20,625              | 27,500               |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 4.75000%                | 4.75000%     | Semi annual          | 5,938                    | 17,813              | 23,751               |
| Codelco Chile   | Chile              | The Bank of New York          | United states of America | US\$     | 5.62500%                | 5.62500%     | Semi annual          | 7,031                    | 21,094              | 28,125               |
| Codelco Chile   | Chile              | Deutsche Bank Securities Inc. | United states of America | US\$     | 6.15000%                | 6.15000%     | Semi annual          | 7,688                    | 23,063              | 30,751               |
| Total ThUS\$    |                    |                               |                          |          |                         |              |                      | 746,750                  | 417,349             | 1,164,099            |
| Codelco Chile   | Chile              | Banco de Chile                | Chile                    | U.F.     | 3.96800%                | 3.96800%     | Semi annual          | 69,440                   | 208,320             | 277,760              |
| Codelco Chile   | Chile              | Banco de Chile                | Chile                    | U.F.     | 4.00000%                | 4.00000%     | Semi annual          | 69,000                   | 207,000             | 276,000              |
| Total U.F.      |                    |                               |                          |          |                         |              |                      | 138,440                  | 415,320             | 553,760              |
| Subtotal ThUS\$ |                    |                               |                          |          |                         |              |                      | 4,666                    | 13,999              | 18,665               |
| Total ThUS\$    |                    |                               |                          |          |                         |              |                      | 751,416                  | 431,348             | 1,182,764            |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

Payment commitments for financial leasing transactions are summarized in the following table:

|                                 | December 31, 2010 |                    |                | December 31, 2009 |                    |                | January 1, 2009 |                    |                |
|---------------------------------|-------------------|--------------------|----------------|-------------------|--------------------|----------------|-----------------|--------------------|----------------|
|                                 | Gross<br>ThUS\$   | Interest<br>ThUS\$ | Net<br>ThUS\$  | Gross<br>ThUS\$   | Interest<br>ThUS\$ | Net<br>ThUS\$  | Gross<br>ThUS\$ | Interest<br>ThUS\$ | Net<br>ThUS\$  |
| <b>Financial Lease</b>          |                   |                    |                |                   |                    |                |                 |                    |                |
| Less than one year              | 36,810            | (19,443)           | 17,367         | 40,094            | (19,360)           | 20,734         | 32,918          | (18,309)           | 14,609         |
| Between one year and five years | 99,176            | (48,376)           | 50,800         | 179,491           | (62,312)           | 117,179        | 136,990         | (80,498)           | 56,492         |
| More than five years            | 123,539           | (51,836)           | 71,703         | 57,866            | (42,727)           | 15,139         | 121,534         | (47,194)           | 74,340         |
| <b>Total</b>                    | <b>259,525</b>    | <b>(119,655)</b>   | <b>139,870</b> | <b>277,451</b>    | <b>(124,399)</b>   | <b>153,052</b> | <b>291,442</b>  | <b>(146,001)</b>   | <b>145,441</b> |

### 14. Fair Value of Items Recorded at Amortized Cost

The fair values of the principal financial assets and liabilities that in the Statement of Financial Position are not presented at fair value are as follows:

| 12-31-2010         | Carrying amount   |                       |                 | Fair value<br>ThUS\$ |
|--------------------|-------------------|-----------------------|-----------------|----------------------|
|                    | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$ |                      |
| <b>Assets</b>      | 5,951,476         | 14,327,565            | 20,279,041      | 20,279,041           |
| <b>Liabilities</b> |                   |                       |                 |                      |
| Loans and bonds    | 402,546           | 5,943,891             | 6,346,437       | 6,629,248            |
| Other              | 4,841,281         | 4,560,111             | 9,401,392       | 9,401,392            |

| 12-31-2009         | Carrying amount   |                       |                 | Fair value<br>ThUS\$ |
|--------------------|-------------------|-----------------------|-----------------|----------------------|
|                    | Current<br>ThUS\$ | Non-current<br>ThUS\$ | Total<br>ThUS\$ |                      |
| <b>Assets</b>      | 4,995,564         | 13,258,316            | 18,253,880      | 18,253,880           |
| <b>Liabilities</b> |                   |                       |                 |                      |
| Loans and bonds    | 270,209           | 4,397,745             | 4,667,954       | 4,941,050            |
| Other              | 3,826,406         | 5,316,293             | 9,142,699       | 9,142,699            |

The methodology and assumptions used in fair value calculation are as follows:

- The Fair Value of the Bonds was determined based on market reference prices, as these instruments are traded in the market under standard conditions and are highly liquid.
- Other items measured at Amortized Cost are a good approximation of Fair Value.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 15. Fair Value Hierarchy

Each of the estimated market values for the Corporation's portfolio of financial instruments, is based on a calculation and data input methodology. Each of these methodologies has been analyzed to determine to which of the following levels they can be assigned:

- Level 1 corresponds to Fair Value measurement methodologies through market quotes (unadjusted) in active markets and considering the same valued Assets and Liabilities.
- Level 2 corresponds to Fair Value measurement methodologies using market quote data, not included in Level 1, that are either directly (prices) or indirectly (derived from the prices) observable for the valued Assets and Liabilities.
- Level 3 corresponds to Fair Value measurement methodologies that use valuation techniques that include data on the valued Assets and Liabilities that are not supported by observable market data.

Based on the methodologies, inputs, and previous definitions the following market levels have been established for the financial instruments portfolio held by the Corporation at December 31, 2010:

| Financial Assets and Liabilities at Fair Value Ranked              | December 31, 2010 |                   |                   |                 |
|--------------------------------------------------------------------|-------------------|-------------------|-------------------|-----------------|
|                                                                    | Level 1<br>ThUS\$ | Level 2<br>ThUS\$ | Level 3<br>ThUS\$ | Total<br>ThUS\$ |
| <b>Financial assets at fair value recorded in profit/loss</b>      |                   |                   |                   |                 |
| Unfinished invoices for sale of products                           | 2,303,951         | -                 | -                 | 2,303,951       |
| Cross Currency Swap                                                | -                 | 173,299           | -                 | 173,299         |
| Mutual fund unit                                                   | 61,855            | -                 | -                 | 61,855          |
| Futures                                                            | 187,021           | -                 | -                 | 187,021         |
| <b>Financial liabilities at fair value recorded in profit/loss</b> |                   |                   |                   |                 |
| Futures                                                            | 2,441,236         | -                 | -                 | 2,441,236       |

No transfers between different levels of markets values were observed for the reporting period.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 16. Trade and Other Payables

Total trade payables, current and non-current, are shown in the following table:

| Item                  | Current Liabilities  |                      |                      |
|-----------------------|----------------------|----------------------|----------------------|
|                       | 12-31-2010<br>ThUS\$ | 12-31-2009<br>ThUS\$ | 01-01-2009<br>ThUS\$ |
| Trade payables        | 1,292,895            | 843,436              | 779,270              |
| Dividends payable     | 173,134              | 503,738              | 84,671               |
| Payables to employees | 31,310               | 197,138              | 29,769               |
| Other payables        | 305,937              | 278,440              | 259,410              |
| Total                 | <u>1,803,276</u>     | <u>1,822,752</u>     | <u>1,153,120</u>     |

#### 17. Other Provisions

The detail of Other short-term provisions and non-current liabilities at the indicated dates is as follows:

| Item                                                    | Current              |                      |                      | Non-Current          |                      |                      |
|---------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                                         | 12-31-2010<br>ThUS\$ | 12-31-2009<br>ThUS\$ | 01-01-2009<br>ThUS\$ | 12-31-2010<br>ThUS\$ | 12-31-2009<br>ThUS\$ | 01-01-2009<br>ThUS\$ |
| <b>Other provisions, current / non-current</b>          |                      |                      |                      |                      |                      |                      |
| Trade (1)                                               | 38,191               | 42,502               | 8,335                | -                    | -                    | -                    |
| Operating (2)                                           | 22,835               | 20,751               | 42,115               | -                    | -                    | -                    |
| Law 13,196                                              | 202,711              | 130,197              | 110,431              | -                    | -                    | -                    |
| Sundry (3)                                              | 32,976               | 15,283               | 24,252               | 48,466               | 26,620               | 5,548                |
| Closure (4)                                             | -                    | -                    | 1,040                | 887,142              | 942,093              | 843,011              |
| Contingencies                                           | -                    | -                    | -                    | 121,864              | 90,024               | 117,131              |
| Total                                                   | <u>296,713</u>       | <u>208,733</u>       | <u>186,173</u>       | <u>1,057,472</u>     | <u>1,058,737</u>     | <u>965,690</u>       |
| <b>Current provisions for employees' benefits</b>       |                      |                      |                      |                      |                      |                      |
| Employees according to collective bargaining agreements | 203,301              | 104,511              | 116,998              | -                    | -                    | -                    |
| Severance indemnity                                     | 37,283               | 34,321               | 24,227               | 809,177              | 685,264              | 479,314              |
| Bonus                                                   | 4,524                | 3,144                | 2,601                | -                    | -                    | -                    |
| Compensations (5)                                       | -                    | -                    | -                    | -                    | -                    | -                    |
| Vacations                                               | 150,000              | 140,425              | 110,879              | -                    | -                    | -                    |
| Health programs (6)                                     | 480                  | 488                  | 134                  | 304,876              | 212,739              | 197,098              |
| Retirement plans (7)                                    | 282,414              | 11,881               | 33,042               | -                    | -                    | -                    |
| Others                                                  | 11,073               | 12,760               | 7,714                | 77,059               | 99,821               | 62,367               |
| Total                                                   | <u>689,075</u>       | <u>307,530</u>       | <u>295,595</u>       | <u>1,191,112</u>     | <u>997,824</u>       | <u>738,779</u>       |

- (1) Corresponds to a sales related provision, which includes charges for freight, loading, and unloading, which were not invoiced at end of the period.
- (2) Corresponds to a provision for customs duties, freight on purchases, electricity, among others.
- (3) Includes a provision of uncompleted invoices for product purchases, which lowers the current provision balance.
- (4) Corresponds to a provision for future closing costs primarily related to tailing dams, mine closure and other asset.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- (5) Corresponds to commitments with the Corporation's employees which have been accrued at the date of closure of the financial statements.
- (6) Corresponds to a provision for contributions to health institutions agreed with employees and former employees.
- (7) Corresponds to a provision for employees who have agreed to retire in accordance with plans in force for personnel retirement.

#### 18. Employee Benefits

##### *Severance Indemnity and Health Plans*

The severance indemnity provision covers the severance indemnity liabilities to be paid to employees when they leave the Corporation based on the agreements in the employment contracts or collective bargaining agreements.

The health plans provision is to cover payment obligations that the Corporation has contracted with its employees, according to contracts or collective bargaining agreements, to partially cover the costs of medical services.

These provisions are recorded in the statement of financial position, at the present value of estimated future obligations. These obligations are calculated using actuarial methods and assumptions defined by independent actuaries. The discount rate applied is determined on the basis of the rates of financial instruments in the same currency in which the obligations are to be paid and with similar maturities.

The results from adjustments and changes in actuarial variables are charged or credited to the income statement of the period in which they occur.

##### i. Actuarial Assumptions for Determining the Severance Indemnity Provision

| Actuarial Assumptions       |                |
|-----------------------------|----------------|
| Discount rate               | 5.16% - Annual |
| Turnover Rate - resignation | 1.5% - Annual  |
| (Average) wage increase     | 0.9% - Annual  |
| Men's Retirement Age        | 65             |
| Women's Retirement Age      | 60             |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### ii. Reconciliation of Service Indemnity balances

|                                          | <b>01-01-2010<br/>12-31-2010</b> | <b>01-01-2009<br/>12-31-2009</b> |
|------------------------------------------|----------------------------------|----------------------------------|
|                                          | ThUS\$                           | ThUS\$                           |
| <b>Movements</b>                         |                                  |                                  |
| Opening balance                          | 719,585                          | 503,541                          |
| Cost                                     | 43,187                           | 32,498                           |
| Financial expense                        | 35,976                           | 28,261                           |
| Taxes Paid                               | (22,379)                         | (25,579)                         |
|                                          | <u>776,369</u>                   | <u>538,721</u>                   |
| Subtotal                                 | 776,369                          | 538,721                          |
| (Gains) Losses from exchange differences | <u>70,091</u>                    | <u>180,864</u>                   |
| Final balance                            | <u><u>846,460</u></u>            | <u><u>719,585</u></u>            |

#### iii. Expenses by Nature of the Benefits

|                                                                      | <b>01-01-2010<br/>12-31-2010</b> | <b>01-01-2009<br/>12-31-2009</b> |
|----------------------------------------------------------------------|----------------------------------|----------------------------------|
|                                                                      | ThUS\$                           | ThUS\$                           |
| <b>Movements of Expenses according to the Nature of the Benefits</b> |                                  |                                  |
| <b>Benefits:</b>                                                     |                                  |                                  |
| Short-Term Benefits                                                  | 1,640,202                        | 1,303,336                        |
| Post-Employment Benefits                                             | 59,410                           | 7,176                            |
| Termination Benefits                                                 | 254,669                          | 8,825                            |
| Benefits for Years of Service                                        | <u>25,691</u>                    | <u>-</u>                         |
| Total                                                                | <u><u>1,979,972</u></u>          | <u><u>1,319,337</u></u>          |

## 19. Net Equity

Article 6 of Decree Law 1,350, stipulates that the profit generated by the Corporation belong to the State and must be credited to general government revenue, after deduction of the amounts authorized for capitalization and reserves through the procedure specified in the Article.

The balance of payable dividends in the respective periods is presented reducing the equity of the Corporation and recognizing a liability under Trade and other payables in current liabilities. At December 31, 2010 the Corporation has a liability for ThUS\$173,134.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The Corporation has recorded this liability as a provision for the difference that exists in the respective periods between the financial profit generated and the dividends and advances paid to the Treasury of Chile, charged to the same periods as established in article 6 of DL 1,350 and its amendments, which govern the Corporation. The law referred to above allows the Board of the Corporation - at the end of this fiscal year - to propose the capitalization of part of this year's profit, which must be approved by a joint decree of the Ministries of Finance and Mining.

As a reference, by agreements of the Board and by the issue of the respective decrees referred to above, in 2007 and 2008 the Corporation capitalized approximately US\$500 million, with charge to the respective period's profit. Additionally, for the same purpose of financing the Corporation's investment plan, in 2009 the Corporation received a capital increase of US\$1,000 million, as stipulated in transitory Article 6 of Law No.20,392.

The "Statement of Changes in Equity" discloses the changes in the Corporation's equity.

The movement and composition of other reserves in equity is presented in the Interim Consolidated Statement of Changes in Equity.

#### a) Other Reserves

The details of the other reserves in equity, are listed in the table below, at the dates indicated in each case.

| Other Reserves                               | 12-31-2010<br>ThUS\$ | 12-31-2009<br>ThUS\$ | 01-01-2009<br>ThUS\$ |
|----------------------------------------------|----------------------|----------------------|----------------------|
| Exchange differences on translation reserves | 2,916                | 2,426                | -                    |
| Cash flow hedges reserves                    | (969,571)            | (1,017,519)          | 28,404               |
| Other reserves                               | 1,642,058            | 1,637,733            | 1,764,325            |
| <b>Total</b>                                 | <b>675,403</b>       | <b>622,640</b>       | <b>1,792,729</b>     |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### b) IFRS First-Time Adoption Adjustments in Net Equity

The balance to be realized of the main IFRS first-time adoption adjustments that were recorded in the Corporation's net equity and the amount that has been realized in 2010 and 2009, is as follows:

|                                                                      | Opening balance | Unrealized balance |                | Realized balance in the period |                  |
|----------------------------------------------------------------------|-----------------|--------------------|----------------|--------------------------------|------------------|
|                                                                      | 01.01.2009      | 12-31-2009         | 12-31-2010     | 12-31-2009                     | 12-31-2010       |
|                                                                      | ThUS\$          | ThUS\$             | ThUS\$         | ThUS\$                         | ThUS\$           |
| <b>Main IFRS adjustments credited/(debited) to retained earnings</b> |                 |                    |                |                                |                  |
| Fair value of property, plant and equipment as deemed cost           | 1,803,700       | 1,545,971          | 1,327,497      | (257,729)                      | (218,474)        |
| Defined benefit obligations with employees                           | 279,739         | 244,560            | 187,776        | (35,179)                       | (56,784)         |
| Effect on Deferred Taxes                                             | (1,291,732)     | (1,110,129)        | (939,469)      | 181,603                        | 170,660          |
| <b>Total</b>                                                         | <b>791,707</b>  | <b>680,402</b>     | <b>575,804</b> | <b>(111,305)</b>               | <b>(104,598)</b> |

### c) Non-Controlling Ownership Interest

The details of non-controlling ownership interest, included in liabilities and net income are listed in the table below, at the dates indicated in each case.

| Entity                                               | Net equity   |              |              | Profit (Loss)  |                |
|------------------------------------------------------|--------------|--------------|--------------|----------------|----------------|
|                                                      | 12-31-2010   | 12-31-2009   | 01-01-2009   | 01-01-2010     | 01-01-2009     |
|                                                      | ThUS\$       | ThUS\$       | ThUS\$       | ThUS\$         | ThUS\$         |
| Asociación Garantizadora de Pensiones                | 24           | 25           | 21           | (2)            | (1)            |
| Biosigma S.A.                                        | 1,023        | 987          | 1,805        | (1,284)        | (1,898)        |
| Instituto de Innovación en Minería y Metalurgia S.A. | 4            | 3            | 2            | -              | 1              |
| Clínica San Lorenzo Ltda.                            | 11           | 13           | 11           | 3              | -              |
| Micomo S.A.                                          | 914          | 967          | 1,103        | (53)           | (136)          |
| Fundación de Salud El Teniente                       | 18           | 12           | 9            | (2)            | (1)            |
| <b>Total</b>                                         | <b>1,994</b> | <b>2,007</b> | <b>2,951</b> | <b>(1,338)</b> | <b>(2,035)</b> |



# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### 20. Revenue

The following table shows the sources of the Corporation's consolidated revenue.

| Item                                       | 01-01-2010<br>12-31-2010 | 01-01-2009<br>12-31-2009 |
|--------------------------------------------|--------------------------|--------------------------|
|                                            | ThUS\$                   | ThUS\$                   |
| Revenue from sales of the Company's copper | 14,501,055               | 10,684,457               |
| Revenue from sale of third parties' copper | 1,255,682                | 826,320                  |
| Revenue from sales of molybdenum           | 719,831                  | 512,031                  |
| Revenue from sales of Other Products       | 631,447                  | 743,433                  |
| Loss in Futures Market                     | (1,042,069)              | (387,104)                |
| Total                                      | <u>16,065,946</u>        | <u>12,379,137</u>        |

### 21. Other Revenues and Expenses by Function

Other revenues and expenses by function are detailed in the following tables:

#### a) Other Revenues by Function

| Item                      | 01-01-2010<br>12-31-2010 | 01-01-2009<br>12-31-2009 |
|---------------------------|--------------------------|--------------------------|
|                           | ThUS\$                   | ThUS\$                   |
| Penalties to suppliers    | 8,111                    | 7,175                    |
| Realized income           | 4,778                    | 15,465                   |
| Outsourcing               | 6,295                    | 5,129                    |
| Miscellaneous sales (net) | 98,168                   | 65,894                   |
| Other sundry income       | 24,121                   | 214,700                  |
| Total                     | <u>141,473</u>           | <u>308,363</u>           |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### b) Other Expenses by Function

| Item                                       | 01-01-2010<br>12-31-2010<br>ThUS\$ | 01-01-2009<br>12-31-2009<br>ThUS\$ |
|--------------------------------------------|------------------------------------|------------------------------------|
| Law No.13,196                              | (1,331,012)                        | (979,906)                          |
| Year-end expenses                          | (14,810)                           | (128,286)                          |
| Bonus for the end of collective bargaining | (208,083)                          | (127,226)                          |
| Early retirement plan                      | (288,246)                          | (15,622)                           |
| Other expenses                             | (216,716)                          | (207,401)                          |
| Total                                      | <u>(2,058,867)</u>                 | <u>(1,458,441)</u>                 |

#### 22. Finance Costs

| Item                                                  | 01-01-2010<br>12-31-2010<br>ThUS\$ | 01-01-2009<br>12-31-2009<br>ThUS\$ |
|-------------------------------------------------------|------------------------------------|------------------------------------|
| Bond interest                                         | (208,925)                          | (182,887)                          |
| Bank loan interest                                    | (11,756)                           | (28,325)                           |
| Exchange diferenciacion severance indemnity provision | (35,976)                           | (28,261)                           |
| Exchange differences on other non-current provisions  | (56,139)                           | (50,967)                           |
| Other                                                 | (18,336)                           | (28,317)                           |
| Total                                                 | <u>(331,132)</u>                   | <u>(318,757)</u>                   |

#### 23. Operating Segments

In Section II, "Summary of Significant Accounting Policies" it has been indicated that, for purposes of IFRS No. 8, "Operating Segments", these are determined according to the Divisions that make up Codelco. On the other hand, the revenues and expenses of the headquarters, are distributed among the defined segments.

The mining sites in operation, in which the Corporation carries out its extractive and processing production processes, are managed by Chuquicamata, Radomiro Tomic, Salvador, Andina and El Teniente divisions. The Ventanas division is dedicated exclusively to smelting and refining processes. These divisions operate under separate management, which report to the Executive President. Additionally, in May 2008, the Gabriela Mistral mine site was added. The characteristics of each division and their respective mine sites are detailed below:

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### **Chuquicamata**

Type of mine sites: open pit mines

Operating: since 1915

Location: Calama - Region II

Products: electrorefined and electro-obtained copper cathodes and copper concentrate

#### **Radomiro Tomic**

Types of mine sites: open pit mines

Operating: since 1997.

Location: Calama - Region II

Products: electrorefined and electro-obtained copper cathodes and copper concentrate

#### **Salvador**

Type of mine: underground mine

Operating: since 1926

Location: Salvador - Region III

Products: electrorefined and electro-obtained copper cathodes and copper concentrate

#### **Andina**

Type of mines: underground and open pit mines

Operating: since 1970

Location: Los Andes - Region V

Product: copper concentrate

#### **El Teniente**

Type of mine: underground mine

Operating: since 1905

Location: Rancagua - Region VI

Products: fire-refined copper and copper anodes

#### **Gabriela Mistral**

Type of mine: open pit mine

Operating: since 2008

Location: Calama - Region II

Products: electro-obtained cathodes

#### **Headquarters Distribution**

The revenue and expenses of the headquarters and the Corporation's Subsidiaries are added to the direct revenue and expenses of the operating divisions, according to bases established for each year, as evidenced by the Statement of Income and Expenses of the headquarters and the Subsidiaries. In

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

addition, revenue and costs between operating segments are eliminated. Principal items are allocated as the criteria:

#### ***The Sales and Selling Costs of Headquarters Commercial Transactions***

- The distribution to the Operating Divisions is made proportionally to the value of the products and sub-products invoiced by each Division.

#### ***Administration and Sales Expenses***

- The cost centers identified with each Division are allocated directly.
- The cost centers associated with the sales function and administration and sales expenses are allocated in proportion to the invoiced and recorded value of products and byproducts shipped by each Division.
- The cost centers associated to the supply function are allocated in relation to the warehouse accounting balances of each Operating Division.
- The remaining cost centers are allocated in relation to the operating expenditures of the respective Divisions.

#### ***Other Revenue***

- The revenue associated and identified with each specific Division is allocated directly.
- The recognition of realized revenue and other revenue of the headquarters are allocated in proportion to the invoiced and recorded value of products and byproducts shipped by each Division.
- The remainder is distributed in proportion to the sum of the balances of the "Other revenue" and the "Financial revenue" items of the respective Divisions.

#### ***Other Expenses***

- The expenses associated and identified with each specific Division are allocated directly.
- The expenses of pre-investment studies and the non-operating expenses of the Subsidiaries are allocated in proportion to the invoiced and recorded value of the shipped products and byproducts invoiced by each Division.
- The remainder is allocated in proportion to the sum of the balances of the "Other expenses" and the "Financial costs" items of each Division.

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency)

The following tables detail the information according to the Corporation's operating segments:

|                                                                                                | At December 31, 2010   |                    |                    |                  |                       |                    |                      |                    |
|------------------------------------------------------------------------------------------------|------------------------|--------------------|--------------------|------------------|-----------------------|--------------------|----------------------|--------------------|
| Segments                                                                                       | Chuquicamata<br>ThUS\$ | R. Tomic<br>ThUS\$ | Salvador<br>ThUS\$ | Andina<br>ThUS\$ | El Teniente<br>ThUS\$ | Ventanas<br>ThUS\$ | G. Mistral<br>ThUS\$ | M. Hales<br>ThUS\$ |
| Revenue from sales of copper                                                                   | 5,094,736              | 2,373,076          | 1,088,075          | 1,341,566        | 3,159,811             | 621,224            | 919,008              |                    |
| Revenue from sale of third parties' copper                                                     | -                      | -                  | -                  | -                | -                     | 153,129            | -                    |                    |
| Revenue from sales of molybdenum                                                               | 381,074                | -                  | 44,032             | 98,916           | 195,809               | -                  | -                    |                    |
| Revenue from sales of Other Products                                                           | 210,421                | -                  | 110,140            | 17,768           | 91,835                | 286,256            | -                    |                    |
| Revenue from Futures Market                                                                    | (401,061)              | (168,938)          | (78,597)           | (96,208)         | (231,889)             | -                  | (64,582)             |                    |
| Revenue between segments                                                                       | -                      | -                  | -                  | -                | -                     | -                  | -                    |                    |
| Other revenue                                                                                  | -                      | -                  | -                  | -                | -                     | -                  | -                    |                    |
| Income from regular activities                                                                 | 5,285,170              | 2,204,138          | 1,163,650          | 1,362,042        | 3,215,566             | 1,060,609          | 854,426              |                    |
| Cost of sales of the Company's copper                                                          | (2,899,503)            | (744,202)          | (784,451)          | (598,133)        | (1,184,452)           | (635,176)          | (400,401)            |                    |
| Cost of sales of Third Parties' Copper                                                         | -                      | -                  | -                  | -                | (329)                 | (160,077)          | -                    |                    |
| Cost of sales of Molybdenum                                                                    | (74,460)               | -                  | (13,993)           | (17,891)         | (34,721)              | -                  | -                    |                    |
| Cost of sales of Other Products                                                                | (95,586)               | -                  | (104,310)          | 20,790           | (97,220)              | (309,157)          | -                    |                    |
| Costs of sales between segments                                                                | (13,570)               | (5,659)            | (2,988)            | (3,497)          | (8,256)               | (2,723)            | (2,194)              |                    |
| Other Costs of sales                                                                           | -                      | -                  | -                  | -                | -                     | -                  | -                    |                    |
| Cost of sales                                                                                  | (3,083,119)            | (749,861)          | (905,742)          | (598,731)        | (1,324,978)           | (1,107,133)        | (402,595)            |                    |
| Gross profit                                                                                   | 2,202,051              | 1,454,277          | 257,908            | 763,311          | 1,890,588             | (46,524)           | 451,831              |                    |
| Other revenue per function                                                                     | 27,110                 | 11,536             | 10,839             | 27,601           | 54,161                | 3,757              | 196                  |                    |
| Distribution costs                                                                             | (3,081)                | (1,295)            | (3,832)            | (866)            | (2,241)               | (622)              | (485)                |                    |
| Administrative expenses                                                                        | (116,492)              | (33,189)           | (30,926)           | (33,644)         | (95,651)              | (19,560)           | (24,157)             |                    |
| Other expenses per function                                                                    | (906,468)              | (250,084)          | (156,173)          | (154,340)        | (424,539)             | (81,402)           | (83,459)             |                    |
| Other gains (losses)                                                                           | -                      | -                  | -                  | -                | -                     | -                  | -                    |                    |
| Finance income                                                                                 | 14,536                 | 3,705              | 2,735              | 4,248            | 7,885                 | 1,054              | 1,564                |                    |
| Finance costs                                                                                  | (107,456)              | (11,630)           | (6,092)            | (61,745)         | (88,041)              | (15,309)           | (36,162)             |                    |
| Share in the profit (loss) of associates and joint ventures accounted for by the equity method | 114,589                | 43,491             | 22,832             | 27,203           | 63,448                | 20,928             | 2,080                |                    |
| Exchange differences                                                                           | (56,628)               | (9,410)            | (15,220)           | (24,192)         | (82,960)              | (8,618)            | (4,747)              |                    |
| Profit (loss) before taxes                                                                     | 1,168,161              | 1,207,401          | 82,071             | 547,576          | 1,322,650             | (146,296)          | 306,661              |                    |
| Income tax expenses                                                                            | (676,240)              | (711,367)          | (37,259)           | (322,324)        | (781,162)             | 96,183             | (178,313)            |                    |
| Profit (loss)                                                                                  | 491,921                | 496,034            | 44,812             | 225,252          | 541,488               | (50,113)           | 128,348              |                    |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency)

|                                                                                                | At December 31, 2009   |                    |                    |                  |                       |                    |                      |                    |
|------------------------------------------------------------------------------------------------|------------------------|--------------------|--------------------|------------------|-----------------------|--------------------|----------------------|--------------------|
| Segments                                                                                       | Chuquicamata<br>ThUS\$ | R. Tomic<br>ThUS\$ | Salvador<br>ThUS\$ | Andina<br>ThUS\$ | El Teniente<br>ThUS\$ | Ventanas<br>ThUS\$ | G. Mistral<br>ThUS\$ | M. Hales<br>ThUS\$ |
| Revenue from sales of copper                                                                   | 3,600,541              | 1,740,864          | 770,923            | 1,222,116        | 2,178,028             | 386,749            | 805,959              |                    |
| Revenue from sale of third parties' copper                                                     | -                      | -                  | -                  | -                | -                     | 61,307             | -                    | -                  |
| Revenue from sales of molybdenum                                                               | 325,672                | -                  | 22,899             | 47,195           | 116,265               | -                  | -                    | -                  |
| Revenue from sales of Other Products                                                           | 174,116                | -                  | 118,762            | 23,544           | 152,004               | 275,012            | (5)                  | -                  |
| Gain on Future Market                                                                          | (141,137)              | (67,977)           | (27,340)           | (47,382)         | (70,889)              | -                  | (32,253)             | -                  |
| Revenue between segments                                                                       |                        |                    | -                  |                  |                       |                    |                      | -                  |
| Other revenue                                                                                  |                        |                    | -                  |                  |                       |                    |                      | -                  |
| Income from regular activities                                                                 | 3,959,192              | 1,672,887          | 885,244            | 1,245,473        | 2,375,408             | 723,068            | 773,701              | -                  |
| Cost of sales of the Company's copper                                                          | (1,903,304)            | (787,452)          | (263,934)          | (528,630)        | (1,091,510)           | (64,702)           | (371,781)            | -                  |
| Cost of sales of Third Parties' Copper                                                         | (428,832)              | -                  | (387,902)          | -                | -                     | (397,529)          | -                    | -                  |
| Cost of sales of Molybdenum                                                                    | (67,784)               | -                  | (8,720)            | (15,090)         | (34,325)              | -                  | -                    | -                  |
| Cost of Sales of Other Products                                                                | (42,395)               | -                  | (107,697)          | (492)            | (115,512)             | (283,842)          | (1)                  | -                  |
| Costs of sales between segments                                                                | (8,561)                | (3,606)            | (1,916)            | (2,689)          | (5,136)               | (1,552)            | (1,668)              | -                  |
| Other Costs of sales                                                                           |                        |                    | -                  |                  |                       |                    |                      | -                  |
| Cost of sales                                                                                  | (2,450,876)            | (791,058)          | (770,169)          | (546,901)        | (1,246,483)           | (747,625)          | (373,450)            | -                  |
| Gross profit                                                                                   | 1,508,316              | 881,829            | 115,075            | 698,572          | 1,128,925             | (24,557)           | 400,251              | -                  |
| Other income per function                                                                      | 37,482                 | 66,819             | 50,270             | 36,021           | 97,000                | 13,558             | 1,053                | -                  |
| Distribution costs                                                                             | (5,854)                | (2,466)            | (1,310)            | (1,838)          | (3,512)               | (1,061)            | (1,140)              | -                  |
| Administrative expenses                                                                        | (85,272)               | (29,699)           | (23,695)           | (38,206)         | (74,411)              | (19,201)           | (16,551)             | -                  |
| Other expenses per function                                                                    | (631,384)              | (169,937)          | (83,843)           | (152,377)        | (290,202)             | (52,422)           | (76,642)             | -                  |
| Other profits (losses)                                                                         | -                      | -                  | -                  | -                | -                     | -                  | -                    | -                  |
| Finance income                                                                                 | 9,721                  | 2,745              | 2,042              | 2,689            | 7,423                 | 899                | 638                  | -                  |
| Finance costs                                                                                  | (125,250)              | (44,603)           | (16,496)           | (37,661)         | (72,297)              | (9,728)            | (8,078)              | -                  |
| Share in the profit (loss) of associates and joint ventures accounted for by the equity method | 103,387                | 43,538             | 22,403             | 32,324           | 62,006                | 18,739             | 20,135               | -                  |
| Exchange differences                                                                           | (181,508)              | 7,524              | (11,236)           | (22,317)         | (52,911)              | (19,135)           | 2,255                | -                  |
| Profit (loss) before taxes                                                                     | 629,638                | 755,750            | 53,210             | 517,207          | 802,021               | (92,908)           | 321,921              | -                  |
| Income tax expenses                                                                            | (401,942)              | (449,825)          | (30,530)           | (309,473)        | (486,336)             | 56,702             | (189,209)            | -                  |
| Profit (loss)                                                                                  | 227,696                | 305,925            | 22,680             | 207,734          | 315,685               | (36,206)           | 132,712              | -                  |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

The assets and liabilities related to each operating segment, including the Corporation's corporate center (headquarters) at December 31, 2010 and at December 31, 2009, are detailed in the following tables:

| Balance Sheet Item      | At December 31, 2010     |                    |                    |                  |                       |                    |                      |                    |                          |                        |
|-------------------------|--------------------------|--------------------|--------------------|------------------|-----------------------|--------------------|----------------------|--------------------|--------------------------|------------------------|
|                         | Chuquibambilla<br>ThUS\$ | R. Tomic<br>ThUS\$ | Salvador<br>ThUS\$ | Andina<br>ThUS\$ | El Teniente<br>ThUS\$ | Ventanas<br>ThUS\$ | G. Mistral<br>ThUS\$ | M. Hales<br>ThUS\$ | Parent Company<br>ThUS\$ | Consolidated<br>ThUS\$ |
| Current assets          | 1,697,367                | 524,568            | 489,662            | 467,567          | 795,830               | 310,335            | 251,597              | 4,318              | 1,410,232                | 5,951,476              |
| Non-current assets      | 3,118,643                | 1,233,388          | 428,352            | 3,042,902        | 2,771,088             | 278,212            | 916,073              | 131,803            | 2,407,104                | 14,327,565             |
| Current liabilities     | 696,405                  | 93,134             | 113,621            | 285,423          | 459,953               | 138,851            | 541                  | 42,692             | 3,413,207                | 5,243,827              |
| Non-current liabilities | 827,355                  | 118,390            | 164,582            | 174,766          | 597,336               | 35,300             | 11,552               | 93,641             | 8,481,080                | 10,504,002             |

| Balance Sheet Item      | At December 31, 2009     |                    |                    |                  |                       |                    |                      |                    |                          |                        |
|-------------------------|--------------------------|--------------------|--------------------|------------------|-----------------------|--------------------|----------------------|--------------------|--------------------------|------------------------|
|                         | Chuquibambilla<br>ThUS\$ | R. Tomic<br>ThUS\$ | Salvador<br>ThUS\$ | Andina<br>ThUS\$ | El Teniente<br>ThUS\$ | Ventanas<br>ThUS\$ | G. Mistral<br>ThUS\$ | M. Hales<br>ThUS\$ | Parent Company<br>ThUS\$ | Consolidated<br>ThUS\$ |
| Current assets          | 1,329,738                | 513,156            | 407,270            | 279,741          | 579,670               | 270,398            | 186,260              | -                  | 1,429,329                | 4,995,564              |
| Non-current assets      | 3,655,301                | 940,986            | 364,215            | 2,814,741        | 3,201,128             | 424,348            | 1,261,809            | -                  | 595,788                  | 13,258,316             |
| Current liabilities     | 761,808                  | 64,517             | 82,019             | 228,870          | 365,324               | 158,492            | 3,525                | -                  | 2,432,059                | 4,096,615              |
| Non-current liabilities | 1,125,457                | 97,673             | 245,541            | 245,625          | 747,845               | 44,756             | 14,828               | -                  | 7,192,313                | 9,714,038              |

Revenue segregated by geographical area is as follows:

| Revenue per geographical areas       | 12-31-2010 | 12-31-2009 |
|--------------------------------------|------------|------------|
|                                      | ThUS\$     | ThUS\$     |
| Total revenue from local customers   | 1,211,955  | 985,679    |
| Total revenue from foreign customers | 14,853,991 | 11,393,458 |
| Total                                | 16,065,946 | 12,379,137 |

## 24. Exchange Differences

According to Decree Law 1,350, the Corporation keeps its accounting records in United States dollars (US\$), recording transactions in currencies other than U.S. dollar at the current exchange rate at the date of each transaction and subsequently updating them, when necessary, according to the exchange rate determined by the Superintendency of Securities and Insurance at the reporting date of closure of each of the financial statements.

The following table summarizes the exchange differences in the Codelco Chile and subsidiaries consolidated statements of income:

| Profit (Loss) from exchange differences recognized in income | 01-01-2010<br>12-31-2010 | 01-01-2009<br>12-31-2009 |
|--------------------------------------------------------------|--------------------------|--------------------------|
|                                                              | ThUS\$                   | ThUS\$                   |
| Profit from exchange differences                             | 84,996                   | 188,478                  |
| Loss from exchange differences                               | (287,520)                | (455,009)                |
| Total exchange differences                                   | (202,524)                | (266,531)                |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 25. Statement of Cash Flows

The following table shows the items that comprise other collections and payments from operating activities in the Statement of Cash Flows:

|                                                      | <b>12-31-2010</b><br>ThUS\$ | <b>12-31-2009</b><br>ThUS\$ |
|------------------------------------------------------|-----------------------------|-----------------------------|
| <b>Other collections from operating activities:</b>  |                             |                             |
| VAT refund                                           | 1,242,491                   | 1,011,662                   |
| Others                                               | <u>524,660</u>              | <u>508,503</u>              |
| Total                                                | <u><u>1,767,151</u></u>     | <u><u>1,520,165</u></u>     |
|                                                      |                             |                             |
|                                                      | <b>12-31-2010</b><br>ThUS\$ | <b>12-31-2009</b><br>ThUS\$ |
| <b>Other payments for operating activities:</b>      |                             |                             |
| Contribution to the Chilean Treasury (Law No.13,196) | (1,270,940)                 | (912,498)                   |
| Financial hedges and sales                           | (986,624)                   | (324,025)                   |
| VAT and other similar paid                           | <u>(1,267,851)</u>          | <u>(1,003,727)</u>          |
| Total                                                | <u><u>(3,525,415)</u></u>   | <u><u>(2,240,250)</u></u>   |

#### 26. Financial Risk Management

Codelco has created committees within its organization, to generate strategies to minimize the financial risks to which it may be exposed.

The Market Risk Management Committee and the Vice-presidency of Administration and Finance are responsible for this.

The Market Risk Management Committee is also responsible for analyzing and proposing financial hedging operations to the Corporation's Board of Directors, to issue standards and to control the execution of the authorizations given by the Board.



## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

The following are the risks to which Codelco is exposed, along with a brief description of the actions that are implemented in each case.

#### **a. Financial Risks**

- **Exchange rate risk:**

According to IFRS 7, exchange rate risk is understood to be that which arises from financial instruments that are denominated in foreign currencies, that is, a currency other than the Corporation's functional currency (U.S. dollar).

Codelco's activities that generate this exposure correspond to funding in UF, accounts payable and receivable in Chilean pesos, other foreign currencies for its business operations and obligations with employees.

The transactions in currencies other than US\$ are mainly in Chilean pesos.

Taking the assets and financial liabilities at December 31, 2010 as the base, a fluctuation (positive or negative) of 10 Chilean pesos against the U.S. dollar (keeping the other variables constant), could affect profit by + / - US\$30 million.

- **Interest Rate Risk:**

This risk is generated by interest rate fluctuations in Codelco's investment and financing activities. This movement can affect future cash flows or the market value of fixed rate financial instruments.

These rate variations refer to U.S. dollar variations, mostly the LIBOR rate. To manage this risk, Codelco maintains an adequate combination of fixed and variable rate debt, which is complemented by the possibility of using interest-rate derivatives to meet the strategic guidelines defined by Codelco's Corporate Finance Department.

It is estimated that, on the basis of net debt at December 31, 2010 and 2009, a 1% change in interest rates on the financial liabilities subject to variable interest rates would mean approximately a US\$10 million change in financial expenses at 31 December 2010.

Total fixed and variable interest rate obligations maintained by Codelco at December 31, 2010, amount to ThUS\$4,672,235 and ThUS\$1,587,500, respectively.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### **b. Market Risks**

- **Commodity Price Risk:**

As a result of its commercial operations and activities, the results of the Corporation are principally exposed to the volatility of copper prices and certain sub products such as gold and silver.

Revenues associated with sales contracts that provide for a provisional price at the date of shipment and whose final price is based on the price of the London Metal Exchange ("LME") are adjusted to their market value and recorded in net income for the period.

At December 31, 2010, if the future price of copper were to vary by + / - 5% (with the other variables constant), net income would vary + / - US\$172 million as a result of the mark to market adjustment of sales revenue at provisional prices current at December 31, 2010 (ThTMF 401).

In order to protect its cash flows and, if necessary, adjust its sales contracts to its commercial policy, the Corporation performs transactions in the futures market, recording their results at maturity. These results are added or deducted from sales revenue. This addition or deduction is made because sales revenue incorporates the positive or negative effect of market prices.

The note "Derivative Contracts" describes the financial hedging instruments that exist at December 31, 2010 and December 31, 2009 to minimize market risk.

At December 31, 2010 and December 31, 2009, a one cent (US\$) variation in the price of the pound of copper, because of the effect on derivative instrument contracts entered into by the Corporation, would mean a variation in revenue or payments for existing contracts (exposure) of US\$7 and US\$13 million, respectively.

No hedging contracts have been entered into for the specific purpose of mitigating the price risk caused by fluctuations in the price of production supplies.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### c. Liquidity Risk

The Corporation ensures that it has sufficient resources, such as pre-approved credit lines (including refinancing), in order to meet short-term requirements, after considering the necessary working capital for its operations and any other commitments it has.

In this sense Codelco Chile maintains resources at its availability, whether in cash, liquid financial instruments and credit facilities that are sufficient to meet its obligations.

In addition, the Finance Department constantly monitors the Company's cash flow projections based on short and long term projections and available financing alternatives. In addition, the Company estimates it has enough room to increase the level of borrowing for normal requirements of its operations and investments established in its development plan.

In this context, according to current existing commitments with creditors, the cash requirements to cover financial liabilities classified by maturity presented in the statement of financial position are as follows:

| Maturities of financial liabilities at December 31, 2010 | Less than<br>one year | Between one year<br>and five years | More than five<br>years |
|----------------------------------------------------------|-----------------------|------------------------------------|-------------------------|
|                                                          | ThUS\$                | ThUS\$                             | ThUS\$                  |
| Loans to financial institutions                          | 340,613               | 1,296,050                          | -                       |
| Bonds                                                    | 61,933                | 1,748,227                          | 2,899,614               |
| Financial leases                                         | 17,367                | 50,800                             | 71,703                  |
| Derivatives                                              | 1,493,312             | 1,028,308                          | -                       |
| Other financial liabilities                              | 5,683                 | 94,780                             | -                       |
| Total                                                    | 1,918,908             | 4,218,165                          | 2,971,317               |

#### d. Credit Risk

This risk comprises the possibility that a third party does not fulfill its contractual obligations, thereby causing a loss to the Corporation.

Given the Corporation's sales policy, principally with cash and advance payments and bank letters of credit, the uncollectibility of client debt balances is minimal. This is complemented with the knowledge the Corporation has of its clients and the length of time it has operated with them. Therefore, the credit risk of these transactions is not significant.

In general, the Corporation's other receivables have a high credit quality according to the Corporation's valuations, based on each debtor's solvency analysis and payment history.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

The maximum credit risk exposure at December 31, 2010 is reliably represented by the financial assets items that are presented in the Corporation's Statement of Financial Position.

The Corporation's accounts receivable do not include customers with balances that could be classified as a significant concentration of debt and would represent a material exposure for Codelco. This exposure is distributed among a large number of clients and other counterparties.

The client items include provisions, which are not significant, based on the review of the debt balances and the clients' characteristics, to cover possible insolvencies.

Explanatory note 2 in "Trade and other receivables" presents overdue balances that have not been provided for.

The Corporation estimates that unimpaired amounts overdue over 30 days are recoverable, based on the clients' historical payment behavior and their existing credit ratings.

At December 31, 2010, December 31, 2009 and January 1, 2009, there are no receivable balances that have been renegotiated.

Codelco works with major banks, with high national and international ratings and continually assesses them; therefore, the risk that could affect the availability of the Corporation's funds and financial instruments is not significant.

Also, in some cases, to minimize credit risk, the Corporation has contracted credit insurance policies through which it transfers to third parties the commercial risk associated with some of its business.

During the third quarter of 2010 and 2009, no assets have been obtained as a result of the execution of guarantees contracted to insure the collection of third party debt.

Personnel loans are principally generated by mortgage loans, according to programs included in collective agreements, which are guaranteed by housing mortgages and payment is made through payroll discounts.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

#### 27. Derivatives Contracts

As stated in the Board of Directors' policy, ratified on March 27, 2009, the Corporation has operations to hedge cash flows, to minimize the risk of interest rate fluctuations, exchange rate variations and sales price variations, as follows:

##### a. Interest Rate Hedges

At December 31, 2010 and 2009, the Corporation has no current contracts.

##### b. Exchange Rate Hedges

The Corporation has interest rate hedging transactions for a total of ThUS\$173,299, which mature in August 2012 and April 2025.

The following table summarizes the exposure of the financial hedges contracted by the Corporation:

| Hedged Item                 | December 31, 2010      |                                |                       |            |          |
|-----------------------------|------------------------|--------------------------------|-----------------------|------------|----------|
|                             | Bank                   | Type of<br>Derivative Contract | Amount of             | Swap Value | Exposure |
|                             |                        |                                | hedged item<br>ThUS\$ |            |          |
| Bond in UF maturing in 2012 | Bco. Chile - Jp Morgan | Swap                           | 320,909               | 164,482    | 34,665   |
| Bond in UF maturing in 2025 | Credit Suisse          | Swap                           | 316,326               | 208,519    | 138,634  |
| Total                       |                        |                                | 637,235               | 373,001    | 173,299  |

ThUS\$67,030 at December 31, 2010 (December 31, 2009: ThUS\$49,253; January 1, 2009: ThUS\$59,338) are included in Other Non-Current Financial Liabilities. The collections originated by these contracts are recorded at the respective obligations maturity.

##### c. Cash Flow and Commercial Policy Adjustment Hedging Contracts

The Corporation performs transactions in the futures market, recording their results at maturity. These results are added to or deducted from sales revenue. This addition or deduction is made because sales revenue incorporates the positive or negative effect of market prices. At December 31, 2010, these operations generated lower net income of ThUS\$1,043,294 (plus an effect of lower net income equivalent to ThUS\$794 in subsidiaries), which is detailed below:

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### **c.1. Commercial Operations of Current Copper Contracts**

The purpose of these contracts is to adjust the price of shipments to the Corporation's related policy, defined in accordance with the London Metal Exchange (LME). In the January to December 2010 period, the Corporation has performed futures market transactions that represent 237,045 metric tons of fine copper. These hedging operations are part of the Corporation's commercial policy.

The current contracts at December 31, 2010 present a ThUS\$153,947 positive exposure, and their final result will only be known at their maturity, offsetting the hedging transactions with revenue from the sale of the hedged products.

The transactions completed between January 1 and December 30, 2010 generated a net negative effect on net income of ThUS\$28,419, which is deducted from the amounts paid for purchase contracts and added to the values received for sales contracts of the products affected by these pricing transactions.

#### **c.2. Commercial Transactions of Current Gold and Silver Contracts**

At December 31, 2010 the Corporation maintains contracts for pricing the sale of gold for ThTOZ 3 and silver for ThTOZ 994.

The negative exposure at that date is ThUS\$244.4.

The transactions completed between January 1 and December 30, 2010 generated a negative effect on net income of ThUS\$9,194, which is deducted from the amounts received for the sales contracts of the products affected by these pricing transactions. These hedging transactions mature up to March 2012.

#### **c.3. Cash Flow Hedging Operations Backed by Future Production**

Also, to hedge future cash flows by ensuring the sale price of part of its production, copper futures transactions have been entered into for 365,550 tons of fine copper (TMF). The copper futures sales contracts mature up to March 2013.

The current futures contracts at December 31, 2010 present a ThUS\$2,409,632 negative exposure, and their final result will only be known at their maturity, offsetting their effects with the sale of the hedged products.

The futures transactions completed between January 1 and December 31, 2010, related to production sold, generated a lower revenue of ThUS\$1,005,680, which is the result of offsetting the hedging transaction and sales revenue from the sale of the products affected by this pricing. These results are presented reducing net operating results.

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

At December 31, 2010, the Corporation does not have any option contracts.

The following table summarizes the exposure of the metal hedges contracted by the Corporation:

|                               | December 31, 2010 |             |           |        |        |           |             |
|-------------------------------|-------------------|-------------|-----------|--------|--------|-----------|-------------|
|                               | Maturity Date     |             |           |        |        |           |             |
|                               | 2010              | 2011        | 2012      | 2013   | 2014   | Following | Total       |
|                               | ThUS\$            | ThUS\$      | ThUS\$    | ThUS\$ | ThUS\$ | ThUS\$    | ThUS\$      |
| Flex Com Copper (assets)      | -                 | 186,776     | (3,637)   | -      | -      | -         | 183,139     |
| Flex Com Copper (liabilities) | -                 | (29,192)    | -         | -      | -      | -         | (29,192)    |
| Flex Com Gold/Silver          | -                 | 245         | -         | -      | -      | -         | 245         |
| Cooper Pricing                | -                 | (1,450,766) | (957,641) | -      | -      | -         | (2,408,407) |
| Metal options                 | -                 | -           | -         | -      | -      | -         | -           |
| Total                         | -                 | (1,292,937) | (961,278) | -      | -      | -         | (2,254,215) |

|                               | December 31, 2009 |           |           |        |        |           |             |
|-------------------------------|-------------------|-----------|-----------|--------|--------|-----------|-------------|
|                               | Maturity Date     |           |           |        |        |           |             |
|                               | 2010              | 2011      | 2012      | 2013   | 2014   | Following | Total       |
|                               | ThUS\$            | ThUS\$    | ThUS\$    | ThUS\$ | ThUS\$ | ThUS\$    | ThUS\$      |
| Flex Com Copper (assets)      | 284,761           | 74        | -         | -      | -      | -         | 284,835     |
| Flex Com Copper (liabilities) | (1,323)           | -         | -         | -      | -      | -         | (1,323)     |
| Flex Com Gold/Silver          | 203               | -         | -         | -      | -      | -         | 203         |
| Cooper Pricing                | (1,088,384)       | (994,183) | (693,128) | -      | -      | -         | (2,775,695) |
| Metal options                 | -                 | -         | -         | -      | -      | -         | -           |
| Total                         | (804,743)         | (994,109) | (693,128) | -      | -      | -         | (2,491,980) |

|                            | December 31, 2010 |          |          |          |          |           |          |
|----------------------------|-------------------|----------|----------|----------|----------|-----------|----------|
|                            | Maturity Date     |          |          |          |          |           |          |
|                            | 2010              | 2011     | 2012     | 2013     | 2014     | Following | Total    |
|                            | Th MT/OZ          | Th MT/OZ | Th MT/OZ | Th MT/OZ | Th MT/OZ | Th MT/OZ  | Th MT/OZ |
| Copper Futures [MT]        | -                 | 422      | 26       | -        | 1        | -         | 449      |
| Gold / Silver Futures [OZ] | -                 | 997      | -        | -        | -        | -         | 997      |
| Copper Pricing [MT]        | -                 | 202      | 150      | -        | -        | -         | 352      |
| Metal Options [MT]         | -                 | -        | -        | -        | -        | -         | -        |

|                            | December 31, 2009 |          |          |          |          |           |          |
|----------------------------|-------------------|----------|----------|----------|----------|-----------|----------|
|                            | Maturity Date     |          |          |          |          |           |          |
|                            | 2010              | 2011     | 2012     | 2013     | 2014     | Following | Total    |
|                            | Th MT/OZ          | Th MT/OZ | Th MT/OZ | Th MT/OZ | Th MT/OZ | Th MT/OZ  | Th MT/OZ |
| Copper Futures [MT]        | 360               | 22       | -        | -        | -        | -         | 382      |
| Gold / Silver Futures [OZ] | 260               | -        | -        | -        | -        | -         | 260      |
| Copper Pricing [MT]        | 252               | 216      | 150      | -        | -        | -         | 618      |
| Metal Options [MT]         | -                 | -        | -        | -        | -        | -         | -        |

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### **28. Contingencies and Restrictions**

##### **i. Litigations and Contingencies**

There are different lawsuits and legal actions initiated by or against the Company, which are derived from its operations and the industry in which it operates. In general, these are civil, tax, labor and mining litigations, all related to the Corporation's activities.

In the opinion of Management and its legal advisors, the lawsuits in which the Company is being sued do not represent significant loss contingencies. Codelco defends its rights and employs all corresponding relevant legal instances, resources and procedures.

The most significant lawsuits that involve Codelco are related to the following matters:

- Tax Lawsuits: There are different tax lawsuits for Internal Revenue Service tax assessments for which the Corporation has filed the corresponding opposition.
- Labor Lawsuits: Labor lawsuits filed by workers of the Andina Division against the Corporation, referred to occupational illness (silicosis).
- Mining Lawsuits and others derived from operations: The Corporation has been participating and will probably continue to participate as a plaintiff and defendant in certain lawsuits relating to its operations and mining activities, through which it seeks to exercise or oppose certain actions or exceptions with regard to certain mining concessions that have been established or are pending constitution, and its other activities. The amounts related to these processes have not been currently determined and do not essentially affect Codelco's development.

A case by case analysis of these lawsuits has shown that there are a total of 302 cases that have an estimated value. It is estimated that 51 of these, that represent 17% of the universe and which amount to ThUS\$33,623, could have a negative result for the Corporation. There are also 129 lawsuits, that represent 43% of the total and which amount to ThUS\$81,777, about which there is no certainty that the outcome would be unfavorable for Codelco. For the 122 remaining cases, amounting to ThUS\$13,825, the Corporation's legal advisors believe an unfavorable outcome is unlikely. In addition, there are 161 lawsuits for undetermined amounts; it is believed that the result of 27 of these could be unfavorable to Codelco.

Additionally the Corporation is in the process of answering, by the corresponding deadlines, a resolution of the Internal Revenue Service originated in a review of prior years' taxable income, related to a product sales contract signed with a related company.



## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

The necessary provisions have been made for the lawsuits with probable losses and their legal costs. These provisions are recorded as contingency provisions.

As is public knowledge, the Corporation has submitted Appeals for Protection before the respective Courts of Appeals, challenging the records of finding notified by the Labor Department, for inspections performed under the framework of Law No.20,123, which regulates subcontracted work schemes and temporary service firms. Five of these appeals were accepted and one was rejected, the latter has been appealed by the Corporation. All appeals are currently pending in the Supreme Court.

#### **ii. Other Commitments**

- a) On April 29, 2008, the Company jointly with other companies of the mining sector entered into an electricity generation supporting contract with Gas Atacama Generación S.A. in the Norte Grande Interconnected System (SING), in force from March 1, 2008 to December 31, 2011, whose expense will be accrued according to the participating companies' consumptions. Codelco is responsible for covering a maximum of US\$194.71 million in that period.
- b) On February 29, 2010, the Board agreed to continue the mining operations of the Salvador Division until 2016, and if market and operating conditions are maintained, until 2021. Both extensions are subject to the condition that management improvements and cost reductions commitments made by the Division are met. These commitments were filed at the Board of Directors in August 2010. And the extension was approved.
- c) On May 31, 2005, Codelco, through its subsidiary Codelco International Ltd. signed an agreement with Minmetals to form a company, Copper Partners Investment Company Ltd., in which both companies have equal participation. A 15-year copper cathode sales contract to that associated company was agreed, as well as a purchase contract from Minmetals to the latter for the same period and for equal monthly shipments to complete a total of 836,250 metric tons. Each shipment shall be paid by the buyer at a price formed by a fixed readjustable component plus a variable component, which depends on current copper prices at the time of shipment.

In addition, Codelco granted Minmetals an option to purchase, at market price, a minority interest in a company that would exploit the Gaby deposit, subject to the conditions established and authorized by Codelco to carry out this initiative.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

On September 23, 2008, Codelco Chile and Minmetals agreed to indefinitely suspend the rights and obligations related to the option on the Gabriela Mistral Deposit. Any possible replacement of this option will require an agreement between both parties. Likewise, both companies agreed to work together, case by case, in the study of new international copper mining business and exploration opportunities, principally in Latin America and Africa.

During the first quarter of 2006 and on the basis of the negotiated financial terms, financing contracts were formalized with the China Development Bank allowing Copper Partners Investment Company Ltd. to make the US\$550 million advance payment to Codelco in March 2006.

At December 31, 2010, the contract is operational, and monthly shipments began in June 2006.

On the basis of the agreements with Minmetals, Codelco's Board of Directors authorized hedging transactions for a total of 139,325 tons, by Copper Partners Investment Company Ltd., which were completed during the months of January and March 2006 (13,900 TMF outstanding at December 31, 2010), maturing until July 2011. Copper Partners Investment Company Ltd. assumes the results of the hedging transactions.

With regard to financial obligations incurred by the associate Copper Partners Investment Company Ltd. with the China Development Bank, Codelco Chile and Codelco International Ltd. must meet certain commitments, principally relating to the delivery of financial information. In addition, Codelco Chile must maintain 51% ownership of Codelco International Limited.

According to the Sponsor Agreement, dated March 8, 2006, the Codelco International Ltd. subsidiary gave its participation in Copper Partners Investment Company Limited as a guarantee to the China Development Bank.

- d) On January 30, 2009, the Corporation informed Anglo American Sur S.A. of its decision to postpone the exercise of the option it has - initially belonging to Empresa Nacional de Minería (ENAMI) and transferred to Codelco for consideration - to acquire up to 49% of the shares of said company, for the next contract period from January 1 to 31, 2012.

On February 22, 2010, Codelco made an advance payment of ThUS\$163,935 for the assignment of ENAMI's option to purchase Anglo American Sur S.A. shares, in three installments, the first two of ThUS\$60,000 were paid on February 22 and 25, 2010, respectively, and a third installment for the balance, was paid on March 1, 2010.

- e) The Corporation has signed gas supply contracts with its associated company GNL Mejillones S.A., which begin to operate in October 2010, and through this contract, the associated company agrees to sell part of a minimum equivalent to 27 Tera BTU's (British Thermal Units) per year during the 2010 - 2012 period. Additionally, the Corporation has signed an option contract together with other participating mining companies that includes the option to:

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- Acquire the right to the long-term use of the terminal's capacity from the end of the contract, or
- To acquire the company's shares; the companies are committed to choosing one or other of these two alternatives.

The Corporation has signed guarantees for 50% of the total exposure of the derivative transactions made by GNL Mejillones S.A., up to a maximum of ThUS\$360,000.

- f) Law 19,993 dated December 17, 2004, which authorized the purchase of the Fundación y Refinería Las Ventanas assets from ENAMI, established that the Corporation must ensure the smelting and refining capacity required, without any restriction and limitation, for treating the products of the small and medium mining sector sent by ENAMI, under the form of toll production mode or other form agreed by the parties.
- g) The obligations with the public for bond issues means that the Corporation must meet certain restrictions related to limits on pledges and leaseback transactions on its principal assets and on its ownership interest in subsidiaries.

The Corporation, at December 31, 2010 and 2009, has met these conditions.

- h) On January 20, 2010, the Corporation signed two energy supply contracts with Colbún S.A., which includes energy and power purchases for a total of 351 MW. The contract provides a discount for that energy consumption due to lower demand from Codelco's SIC divisions with respect to the amount of contracted power. The discount is equivalent to the value of the sale of that energy on the spot market.

In addition, through a supplementary agreement, Codelco has ensured the supply by Colbún of 159 MW, adapted to Codelco's long-term energy and power requirements from the SIC of approximately 510 MW.

This contract is based on energy production from Colbún's Santa María thermal power station that is currently under construction. This plant is coal-fired; therefore, the electric energy tariff rate applied for the energy supplied to Codelco is linked to the price of coal.

Through these contracts, which operate through take or pay, the Corporation agrees to pay for the contracted energy and Colbún undertakes to return at market price the energy not consumed by Codelco.

- i) On November 6, 2009, Codelco signed the following long-term electric energy supply contracts with ELECTROANDINA SA:

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

- This Contract replaces the one signed on November 22, 1995, for the supply of electricity to the Chuquicamata work center, for a 15-year term beginning in January 2010 for between 200 and 280 MW in power and all associated electric energy. The approximate cost of the contract is US\$1,380 million for the whole period.
  - Modification of the contract dated December 21, 1995 for the Radomiro Tomic work center, for a maximum power of 110 MW, in which new prices are established, for the power and energy contemplated in the contract as well as their new adjustment formulas from January 2010.
- j) On December 31, 2009, Codelco has signed a purchase contract with Empresa Nacional de Electricidad S.A., for the purchase of power and electricity from the Central Interconnected System (SIC) to meet Codelco's requirements for its Salvador Division.

The contract is effective as of April 1, 2010 and up to March 31, 2013. The agreed maximum power is HP 70 (MW) and HFP 71 (MW).

## 29. Guarantees

The Corporation has received and granted guarantees as a result of its activities.

The guarantees given by Codelco include those granted to financial institutions. The main ones are detailed in the following tables:

| Creditor of the Guarantee | Type of Guarantee                      | Direct Guarantees Provided to Financial Institutions |                   |                   |                   |
|---------------------------|----------------------------------------|------------------------------------------------------|-------------------|-------------------|-------------------|
|                           |                                        | December 31, 2010                                    |                   | December 31, 2009 | January 1, 2009   |
|                           |                                        | Maturity                                             | Guaranteed Amount | Guaranteed Amount | Guaranteed Amount |
|                           |                                        |                                                      | ThUS\$            | ThUS\$            | ThUS\$            |
| Macquarie Bank Limited    | Standby Letter - Banco Intesa Sanpaolo | January, 2011                                        | 60,000            | 165,000           | -                 |
| Macquarie Bank Limited    | Standby Letter - Banco Intesa Sanpaolo | -                                                    | -                 | -                 | 60,000            |
| Semptra Metals Limited    | Standby Letter - Banco Santander Chile | July, 2010                                           | -                 | -                 | 80,000            |
| Macquarie Bank Limited    | Standby Letter - Banco Intesa Sanpaolo | January, 2011                                        | 55,000            | -                 | -                 |
| Koch Supply & Trading LP  | Standby Letter - Banco Santander Chile | January, 2011                                        | 55,000            | 55,000            | -                 |
| Koch Supply & Trading LP  | Standby Letter - Banco Intesa Sanpaolo | March, 2011                                          | 30,000            | -                 | -                 |
| Koch Supply & Trading LP  | Standby Letter - Banco Intesa Sanpaolo | March, 2011                                          | 50,000            | -                 | -                 |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

| Creditor of the Guarantee         | Guaranteed Debtor                   | Relationship  | Type of Guarantee | Indirect Guarantees Provided to Financial Institutions |                                                  |                                                |
|-----------------------------------|-------------------------------------|---------------|-------------------|--------------------------------------------------------|--------------------------------------------------|------------------------------------------------|
|                                   |                                     |               |                   | December 31, 2010<br>Guaranteed Amount<br>ThUS\$       | December 31, 2009<br>Guaranteed Amount<br>ThUS\$ | January 1, 2009<br>Guaranteed Amount<br>ThUS\$ |
| Barclays Bank PLC                 | Sociedad GNL Mejillones S.A.        | Associate     | Guarantor         | 100,000                                                | 100,000                                          | 100,000                                        |
| Morgan Stanley Capital Group INC. | Sociedad GNL Mejillones S.A.        | Associate     | Guarantor         | 200,000                                                | 200,000                                          | 200,000                                        |
| Koch Supply & Trading LP          | Sociedad GNL Mejillones S.A.        | Associate     | Guarantor         | 60,000                                                 | 60,000                                           | 60,000                                         |
| China Development Bank            | Copper Partners Investment Co. Ltd. | Joint Venture | Rights            | 26,635                                                 | -                                                | 117,600                                        |

The documents obtained as guarantees principally cover supplier and contractor obligations related to the various projects in progress. Considering the large amount of documents received and the large number of suppliers and contractors, the information regarding these guarantees, is grouped according to the Operating Divisions that have received them.

| Division           | Guarantees received from third parties |                      |                      |
|--------------------|----------------------------------------|----------------------|----------------------|
|                    | 12-31-2010<br>ThUS\$                   | 12-31-2009<br>ThUS\$ | 01-01-2009<br>ThUS\$ |
| Andina             | 50,026                                 | 78,224               | 94,892               |
| Chuquicamata       | 54,907                                 | 59,065               | 51,959               |
| Casa Matriz        | 202,116                                | 166,103              | 186,079              |
| Salvador           | 536                                    | 190                  | 188                  |
| El Teniente        | 67,026                                 | 81,841               | 77,506               |
| Fundición Ventanas | 2,127                                  | 2,167                | 897                  |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### 30. Balance by Foreign Currency

#### a) Assets by Type of Currency

| Item                            | <u>12-31-2010</u><br>ThUS\$ | <u>12-31-2009</u><br>ThUS\$ |
|---------------------------------|-----------------------------|-----------------------------|
| US dollars                      | 983,905                     | 879,566                     |
| Euros                           | 558                         | 4,412                       |
| Other currencies                | 21,780                      | 2,984                       |
| Non-indexed Ch\$                | 62,934                      | 171,745                     |
| U.F.                            | -                           | 7,253                       |
|                                 | <u>1,069,177</u>            | <u>1,065,960</u>            |
| Liquid assets                   |                             |                             |
| US dollars                      | 792,409                     | 591,822                     |
| Euros                           | -                           | 2,256                       |
| Other currencies                | 21,779                      | -                           |
| Non-indexed Ch\$                | 59,851                      | 171,745                     |
| U.F.                            | -                           | 7,253                       |
|                                 | <u>874,039</u>              | <u>773,076</u>              |
| Cash and cash equivalents       |                             |                             |
| US dollars                      | 191,496                     | 287,744                     |
| Euros                           | 558                         | 2,156                       |
| Other currencies                | 1                           | 2,984                       |
| Non-indexed Ch\$                | 3,083                       | -                           |
| U.F.                            | -                           | -                           |
|                                 | <u>195,138</u>              | <u>292,884</u>              |
| Other current financial assets  |                             |                             |
| US dollars                      | 2,628,357                   | 2,247,579                   |
| Euros                           | 67,926                      | 34,933                      |
| Other currencies                | 459,333                     | 1,643                       |
| Non-indexed Ch\$                | 18,835                      | 561,727                     |
| U.F.                            | 1,190                       | 1,686                       |
|                                 | <u>3,175,641</u>            | <u>2,847,568</u>            |
| Short and long-term receivables |                             |                             |
| US dollars                      | 2,363,430                   | 1,725,845                   |
| Euros                           | 67,926                      | 34,933                      |
| Other currencies                | 265,486                     | 1,643                       |
| Non-indexed Ch\$                | 15,974                      | 297,919                     |
| U.F.                            | 1,190                       | 1,686                       |
|                                 | <u>2,714,006</u>            | <u>2,062,026</u>            |
| Trade and other receivables     |                             |                             |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

| Item                                    | <u>12-31-2010</u><br>ThUS\$ | <u>12-31-2009</u><br>ThUS\$ |
|-----------------------------------------|-----------------------------|-----------------------------|
| US dollars                              | 3,585                       | 3,742                       |
| Euros                                   | -                           | -                           |
| Other currencies                        | 193,847                     | -                           |
| Non-indexed Ch\$                        | 1,353                       | 194,360                     |
| U.F.                                    | -                           | -                           |
|                                         | <u>198,785</u>              | <u>198,102</u>              |
| Rights receivable, non-current          |                             |                             |
| US dollars                              | 156,446                     | 159,733                     |
| Euros                                   | -                           | -                           |
| Other currencies                        | -                           | -                           |
| Non-indexed Ch\$                        | 1,508                       | 69,448                      |
| U.F.                                    | -                           | -                           |
|                                         | <u>157,954</u>              | <u>229,181</u>              |
| Due from related companies, current     |                             |                             |
| US dollars                              | 104,896                     | 358,259                     |
| Euros                                   | -                           | -                           |
| Other currencies                        | -                           | -                           |
| Non-indexed Ch\$                        | -                           | -                           |
| U.F.                                    | -                           | -                           |
|                                         | <u>104,896</u>              | <u>358,259</u>              |
| Due from related companies, non-current |                             |                             |
| US dollars                              | 11,754,576                  | 12,724,782                  |
| Euros                                   | 460,807                     | -                           |
| Other currencies                        | 3,530,536                   | -                           |
| Non-indexed Ch\$                        | 250,197                     | 1,615,570                   |
| U.F.                                    | 38,107                      | -                           |
|                                         | <u>16,034,223</u>           | <u>14,340,352</u>           |
| Rest of assets                          |                             |                             |
| US dollars                              | 15,366,838                  | 15,851,927                  |
| Euros                                   | 529,291                     | 39,345                      |
| Other currencies                        | 4,011,649                   | 4,627                       |
| Non-indexed Ch\$                        | 331,966                     | 2,349,042                   |
| U.F.                                    | 39,297                      | 8,939                       |
|                                         | <u>20,279,041</u>           | <u>18,253,880</u>           |
| Total Assets                            |                             |                             |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

### b) Liability by Type of Currency

|                                            | December 31, 2010          |                                     | December 31, 2009          |                                     |
|--------------------------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
|                                            | Until<br>90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ | Until<br>90 days<br>ThUS\$ | From 90 days<br>to 1 year<br>ThUS\$ |
| <b>Current liabilities by currency</b>     |                            |                                     |                            |                                     |
| US dollars                                 | 3,072,346                  | 1,904,206                           | -                          | 3,205,916                           |
| Euros                                      | -                          | 3,979                               | -                          | 44,102                              |
| Other currencies                           | 95,386                     | 25                                  | -                          | 366,324                             |
| Non-indexed Ch\$                           | 336                        | -                                   | -                          | 351,067                             |
| U.F.                                       | 156,851                    | 10,698                              | -                          | 129,206                             |
| <b>Current liabilities</b>                 | <b>3,324,919</b>           | <b>1,918,908</b>                    | <b>-</b>                   | <b>4,096,615</b>                    |
| US dollars                                 | -                          | 1,904,206                           | -                          | 1,375,981                           |
| Euros                                      | -                          | 3,979                               | -                          | 2,217                               |
| Other currencies                           | -                          | 25                                  | -                          | 856                                 |
| Non-indexed Ch\$                           | -                          | -                                   | -                          | -                                   |
| U.F.                                       | -                          | 10,698                              | -                          | 15,368                              |
| <b>Other current financial liabilities</b> | <b>-</b>                   | <b>1,918,908</b>                    | <b>-</b>                   | <b>1,394,422</b>                    |
| US dollars                                 | -                          | 336,440                             | -                          | 211,268                             |
| Euros                                      | -                          | 1,060                               | -                          | 2,071                               |
| Other currencies                           | -                          | -                                   | -                          | -                                   |
| Non-indexed Ch\$                           | -                          | -                                   | -                          | -                                   |
| U.F.                                       | -                          | 3,113                               | -                          | 1,687                               |
| <b>Bank loans</b>                          | <b>-</b>                   | <b>340,613</b>                      | <b>-</b>                   | <b>215,026</b>                      |
| US dollars                                 | -                          | 54,348                              | -                          | 48,303                              |
| Euros                                      | -                          | -                                   | -                          | -                                   |
| Other currencies                           | -                          | -                                   | -                          | -                                   |
| Non-indexed Ch\$                           | -                          | -                                   | -                          | -                                   |
| U.F.                                       | -                          | 7,585                               | -                          | 6,880                               |
| <b>Secured debentures</b>                  | <b>-</b>                   | <b>61,933</b>                       | <b>-</b>                   | <b>55,183</b>                       |



# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

|                                        | December 31, 2010 |                 | December 31, 2009 |                 |
|----------------------------------------|-------------------|-----------------|-------------------|-----------------|
|                                        | Until             | From 90 days to | Until             | From 90 days to |
|                                        | 90 days           | 1 year          | 90 days           | 1 year          |
|                                        | ThUS\$            | ThUS\$          | ThUS\$            | ThUS\$          |
| <b>Current liabilities by currency</b> |                   |                 |                   |                 |
| US dollars                             | -                 | 17,116          | -                 | 19,732          |
| Euros                                  | -                 | 226             | -                 | 146             |
| Other currencies                       | -                 | 25              | -                 | 856             |
| Non-indexed Ch\$                       | -                 | -               | -                 | -               |
| U.F.                                   | -                 | -               | -                 | -               |
| Financial lease                        | -                 | 17,367          | -                 | 20,734          |
| US dollars                             | -                 | 1,496,302       | -                 | 1,096,678       |
| Euros                                  | -                 | 2,693           | -                 | -               |
| Other currencies                       | -                 | -               | -                 | -               |
| Non-indexed Ch\$                       | -                 | -               | -                 | -               |
| U.F.                                   | -                 | -               | -                 | 6,801           |
| Others                                 | -                 | 1,498,995       | -                 | 1,103,479       |
| US dollars                             | 3,072,346         | -               | -                 | 1,829,935       |
| Euros                                  | -                 | -               | -                 | 41,885          |
| Other currencies                       | 95,386            | -               | -                 | 365,468         |
| Non-indexed Ch\$                       | 336               | -               | -                 | 351,067         |
| U.F.                                   | 156,851           | -               | -                 | 113,838         |
| Other current liabilities              | 3,324,919         | -               | -                 | 2,702,193       |

# CORPORACIÓN NACIONAL DEL COBRE DE CHILE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency)

|                                                | December 31, 2010                |                             |                              |                              | December 31, 2009                |                             |                              |                              |
|------------------------------------------------|----------------------------------|-----------------------------|------------------------------|------------------------------|----------------------------------|-----------------------------|------------------------------|------------------------------|
|                                                | From 1 year to 3 years<br>ThUS\$ | From 3 to 5 years<br>ThUS\$ | From 5 to 10 years<br>ThUS\$ | More than 10 years<br>ThUS\$ | From 1 year to 3 years<br>ThUS\$ | From 3 to 5 years<br>ThUS\$ | From 5 to 10 years<br>ThUS\$ | More than 10 years<br>ThUS\$ |
| <b>Non-current liabilities by currency</b>     |                                  |                             |                              |                              |                                  |                             |                              |                              |
| US dollars                                     | 4,594,673                        | 1,579,613                   | 1,570,977                    | 985,661                      | 5,912,979                        | 1,002,269                   | 14,362                       | 990,000                      |
| Euros                                          | 476                              | -                           | -                            | -                            | 2,087                            | -                           | -                            | -                            |
| Other currencies                               | 2,444                            | -                           | -                            | -                            | 67                               | -                           | -                            | -                            |
| Non-indexed Ch\$                               | 1,022,154                        | -                           | -                            | -                            | 1,094,174                        | -                           | -                            | -                            |
| U.F.                                           | 405,028                          | -                           | -                            | 342,976                      | 382,809                          | 12,516                      | 6,415                        | 296,000                      |
| <b>Non-current liabilities</b>                 | <b>6,024,775</b>                 | <b>1,579,613</b>            | <b>1,570,977</b>             | <b>1,328,637</b>             | <b>7,392,116</b>                 | <b>1,014,785</b>            | <b>20,777</b>                | <b>1,286,000</b>             |
| US dollars                                     | 2,257,146                        | 1,579,613                   | 1,570,977                    | 985,661                      | 3,639,268                        | 1,002,269                   | 14,362                       | 990,000                      |
| Euros                                          | 476                              | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Other currencies                               | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Non-indexed Ch\$                               | 64,921                           | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| U.F.                                           | 387,712                          | -                           | -                            | 342,976                      | 377,336                          | 12,516                      | 6,415                        | 296,000                      |
| <b>Other non-current financial liabilities</b> | <b>2,710,255</b>                 | <b>1,579,613</b>            | <b>1,570,977</b>             | <b>1,328,637</b>             | <b>4,016,604</b>                 | <b>1,014,785</b>            | <b>20,777</b>                | <b>1,286,000</b>             |
| US dollars                                     | 212,350                          | 1,083,700                   | -                            | -                            | 397,186                          | 398,593                     | -                            | -                            |
| Euros                                          | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Other currencies                               | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Non-indexed Ch\$                               | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| U.F.                                           | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| <b>Bank loans</b>                              | <b>212,350</b>                   | <b>1,083,700</b>            | <b>-</b>                     | <b>-</b>                     | <b>397,186</b>                   | <b>398,593</b>              | <b>-</b>                     | <b>-</b>                     |
| US dollars                                     | 933,314                          | 495,913                     | 1,570,977                    | 985,661                      | 1,420,174                        | 595,059                     | -                            | 990,000                      |
| Euros                                          | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Other currencies                               | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Non-indexed Ch\$                               | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| U.F.                                           | 319,000                          | -                           | -                            | 342,976                      | 300,373                          | -                           | -                            | 296,000                      |
| <b>Secured debentures</b>                      | <b>1,252,314</b>                 | <b>495,913</b>              | <b>1,570,977</b>             | <b>1,328,637</b>             | <b>1,720,547</b>                 | <b>595,059</b>              | <b>-</b>                     | <b>1,286,000</b>             |
| US dollars                                     | 53,315                           | -                           | -                            | -                            | 67,871                           | -                           | -                            | -                            |
| Euros                                          | 476                              | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Other currencies                               | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Non-indexed Ch\$                               | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| U.F.                                           | 68,712                           | -                           | -                            | -                            | 64,447                           | -                           | -                            | -                            |
| <b>Financial lease</b>                         | <b>122,503</b>                   | <b>-</b>                    | <b>-</b>                     | <b>-</b>                     | <b>132,318</b>                   | <b>-</b>                    | <b>-</b>                     | <b>-</b>                     |
| US dollars                                     | 1,058,167                        | -                           | -                            | -                            | 1,754,037                        | 8,617                       | 14,362                       | -                            |
| Euros                                          | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Other currencies                               | -                                | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| Non-indexed Ch\$                               | 64,921                           | -                           | -                            | -                            | -                                | -                           | -                            | -                            |
| U.F.                                           | -                                | -                           | -                            | -                            | 12,516                           | 12,516                      | 6,415                        | -                            |
| <b>Others</b>                                  | <b>1,123,088</b>                 | <b>-</b>                    | <b>-</b>                     | <b>-</b>                     | <b>1,766,553</b>                 | <b>21,133</b>               | <b>20,777</b>                | <b>-</b>                     |
| US dollars                                     | 2,337,527                        | -                           | -                            | -                            | 2,273,711                        | -                           | -                            | -                            |
| Euros                                          | -                                | -                           | -                            | -                            | 2,087                            | -                           | -                            | -                            |
| Other currencies                               | 2,444                            | -                           | -                            | -                            | 67                               | -                           | -                            | -                            |
| Non-indexed Ch\$                               | 957,233                          | -                           | -                            | -                            | 1,094,174                        | -                           | -                            | -                            |
| U.F.                                           | 17,316                           | -                           | -                            | -                            | 5,473                            | -                           | -                            | -                            |
| <b>Other non-current liabilities</b>           | <b>3,314,520</b>                 | <b>-</b>                    | <b>-</b>                     | <b>-</b>                     | <b>3,375,512</b>                 | <b>-</b>                    | <b>-</b>                     | <b>-</b>                     |

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

#### **31. Sanctions**

At December 31, 2010 and 2009, neither Codelco Chile, nor its Directors and Managers, have been sanctioned by the Superintendency of Securities and Insurance or other administrative authorities.

#### **32. Subsequent Events**

- a. On January 7, 2011, it was reported in a matter of material fact, that the Corporation's Board of Directors decided to approve the starting of the process to sell up to all the shares that it directly and indirectly has in E-CL S.A., a publicly traded company registered in the Securities Register under number 273, representing 40% of the shareholding of this company.
- b. On January 7, 2011, it was reported that Mr. Waldo Fortín Cabezas will no longer be the Legal Counsel of Codelco Chile from March 1, 2011. He will be replaced by Mr. Patricio Enei Villagra.
- c. On January 27, 2011, it was reported in a matter of material fact the placement of 424,251,415 shares issued by E-CL S.A. (representing 40% of the shareholding of this company) directly owned by Codelco Chile and its subsidiary Inversiones Mejillones 2 S.A. in E-CL S.A. The sale of shares was performed in Santiago Stock Exchange using the stock exchange method called "Auction Sale of One Order Book" and started on January Wednesday 19, 2011 and finished on January Thursday 27, 2011. As a result of the above, the total amount of the placement of shares is Ch\$509,101,698,000, equivalent to ThUS\$1,051,558 at the exchange rate at the corresponding current day. The resulting financial income after taxes for this transaction was ThUS\$29,819.
- d. On February 11, 2011, it was reported in a matter of material fact that Codelco Chile chose Ernst & Young as the Company's external auditors for the period 2011 - 2013, both years included. The selection process of the aforementioned auditing company considered a limited bidding where the main local companies were invited, excluding the current external auditors Deloitte, in accordance with the policy of turnover of this kind of services defined by the Corporation's Board of Directors. The appointment of Ernst & Young is subject to the approval of the Meeting of Shareholders. The related proposal has been filed at the aforementioned meeting in accordance with Article 11 of the Corporation's Statutory Decree Law 1,350 and Article 52 of Law 18,046.

## **CORPORACIÓN NACIONAL DEL COBRE DE CHILE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

---

- e. On February 22, 2011, it was reported complementing a matter of material fact dated February 26, 2010 and March 8, 2010, that Supreme Decree No.1048 of the Treasury Department (the Chilean Treasury being aware of this on February 15, 2011), approved Codelco's partnership with Minera PanAust IDO Ltda., related to Inca de Oro deposit. This partnership will be executed through Sociedad Inca de Oro S.A. As a result of the above, there was a revised agreement with a valuation in accordance with the new market terms. This agreement stated that PanAust IDO Ltda. will have 66% of ownership in Inca de Oro S.A. and Codelco will have 34% of ownership in Inca de Oro S.A. PanAust IDO Ltda. will invest US\$55.3 million of its own capital in Inca de Oro S.A. to purchase 66% of the company, which will be the owner of the efforts made and the properties of the project. Also, the agreement states that Inca de Oro S.A. will pay a royalty to Codelco for the net returns of smelting from Inca de Oro Project, with a maximum of US\$30 million (at the exchange rate ruling in 2010). The financial effects of this transaction will result in profit after taxes for Codelco for US\$ 22 million.
- f. On March 16, 2011 it was reported that Codelco's Development Vice President, Juan Enrique Morales Jaramillo, submitted his letter of resignation from the Corporation. He will be in his position until March 31, 2011.

The Management of the Corporation is not aware of other significant financial events or events of other nature, occurred between January 1, 2011 and the date of issuance of these financial statements (March 23, 2011), that could materially affect them.

### **33. Environment**

The environmentally sustainable exploitation, exploration and search for new resources has been an important concern for the Corporation. That is why since 1998 the Corporation has defined its environmental commitments. The Corporation controls its environmental commitments through an environmental management system used for its exploration and exploitation activities, which has been perfected over time to conform to the ISO 14001 Standard. This standard has been applied to the work performed in geology, geochemistry, geophysics and drilling in exploring for mineral resources in Chile and abroad.

In this respect, at December 31, 2010, Chuquicamata, Radomiro Tomic, Andina, Salvador, El Teniente divisions, and the headquarters have been certified under the ISO 14001 standard.

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

Below is a detail of the Corporation's principal expenditures related to the environment during the periods between January 1 and December 31, 2010 and 2009, respectively:

| Environmental Investments<br>Projected Future Expenses        | 2011<br>ThUS\$ |
|---------------------------------------------------------------|----------------|
| <b>Total Codelco-Chile</b>                                    | <b>21,066</b>  |
| <b>Andina</b>                                                 | <b>18,096</b>  |
| Infrastructure improvements for spill management - projected  | 1,000          |
| Line enhancements for main wall stirrups                      | 503            |
| Construction of water trap for ballast deposit - projected    | 4,922          |
| Improvement tunnel 3 handling of Ovejería residue - projected | 1,000          |
| Drainage construction DL D2 to port - projected               | 1,766          |
| Acid water treatment DLN and projected                        | 9,905          |
| <b>El Teniente</b>                                            | <b>2,970</b>   |
| Online monitoring canal residue - Tte - projected             | 100            |
| Liquid waste sewage solution - Sewel                          | 2,870          |

| Environmental Investments<br>Real Nominal Expense                   | 12-31-2010<br>ThUS\$ | 12-31-2009<br>ThUS\$ |
|---------------------------------------------------------------------|----------------------|----------------------|
| <b>Total Codelco - Chile</b>                                        | <b>61,620</b>        | <b>44,550</b>        |
| Codelco Norte                                                       | -                    | 1,608                |
| Remodeling and construction of a warehouse for hazardous substances | -                    | 1,608                |
| Salvador                                                            | 1,334                | 2,942                |
| Implementation of solution for handling of liquid waste and water   | 1,006                | 1,471                |
| Compliance with lighting standard                                   | -                    | 387                  |
| Construction of hazardous waste ditch                               | -                    | 247                  |
| Solution to oxygen plant water treatment and water plants           | 328                  | 837                  |
| <b>Andina</b>                                                       | <b>10,492</b>        | <b>25,123</b>        |

## CORPORACIÓN NACIONAL DEL COBRE DE CHILE

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars of the United States of America, except as indicated in other currency or unit)

|                                                                                            |               |               |
|--------------------------------------------------------------------------------------------|---------------|---------------|
| Dispatch drainage dump for external use in the La Unión Stage 1 sector                     | -             | 1,026         |
| Ovejería reservoir control                                                                 | -             | 444           |
| Improvement to control discharge of residue thickener                                      | 39            | 1             |
| Enhance drainage and wall east of Ovejería reservoir                                       | -             | 6,167         |
| Remediation works - residue transport tunnels                                              | 1,670         | 2,686         |
| Replacement of residue lines at Los Leones reservoir                                       | -             | 665           |
| Implementation of infrastructure for recovery of rejected concentrate                      | -             | 1,387         |
| Construction of uptake tower N°3 for Ovejería reservoir                                    | 2,744         | 1,084         |
| Line enhancement of main wall stirrup at Ovejería reservoir                                | 292           | 185           |
| Emergency construction hydraulic barrier                                                   | 3,573         | 11,021        |
| Construction of water trap for ballast deposit - projected                                 | 743           | -             |
| Improvement to Huechun irrigation water funneling                                          | -             | 457           |
| Construction of plug for evacuation tower N°1                                              | 691           | -             |
| Slope improvements and protection                                                          | 209           | -             |
| Acquisition of independent pump equipment                                                  | 6             | -             |
| Improvement to tunnel 3 handling of Ovejería residue - projected                           | 26            | -             |
| Drainage construction DL D2 to port - projected                                            | 499           | -             |
| <b>El Teniente</b>                                                                         | <b>48,399</b> | <b>14,493</b> |
| Enhancement of molybdenum abatement plant from Carén reservoir tributary                   | -             | 4,926         |
| Increase of recirculation capacity of mine drainage waters to processes                    | -             | 4,772         |
| Uplift of geotechnical vulnerabilities related to Colón residue canal for Cachapoal bridge | -             | 4,276         |
| Construction of 5th stage in Caren reservoir                                               | 39,941        | -             |
| Decontamination and conditioning of laboratory                                             | 133           | 143           |
| Liquid waste sewage solution - Sewel                                                       | 8,325         | 376           |
| <b>Ventanas</b>                                                                            | <b>1,395</b>  | <b>384</b>    |
| Silencer discharge 3 and 4                                                                 | -             | 53            |
| Overhaul interchange W23                                                                   | 246           | 307           |
| Construction of new temporary storage facility (respel)                                    | 1,149         | 24            |

\* \* \* \* \*

**THE ISSUER**

**Corporación Nacional del Cobre de Chile**  
Huérfanos 1270  
Santiago  
Republic of Chile

**FISCAL AGENT, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR**

**The Bank of New York Mellon**  
101 Barclay Street, Floor 4 East  
New York, New York, 10286  
United States

**LUXEMBOURG LISTING AGENT, PAYING AGENT AND TRANSFER AGENT**

**The Bank of New York Mellon (Luxembourg) S.A.**  
Vertigo Building  
Polaris 2-4 rue Eugène Ruppert  
L-2453 Luxembourg  
Luxembourg

**LEGAL ADVISORS TO THE ISSUER**

*As to New York law*  
**Cleary Gottlieb Steen & Hamilton LLP**  
One Liberty Plaza  
New York, New York 10006  
United States

*As to Chilean law*  
**Carey y Cía. Ltda.**  
Isidora Goyenechea, 2800, Piso 43  
Las Condes, Santiago  
Republic of Chile

**LEGAL ADVISORS TO THE INITIAL PURCHASERS**

*As to New York law*  
**Davis Polk & Wardwell LLP**  
450 Lexington Avenue  
New York, New York 10017  
United States

*As to Chilean law*  
**Philippi, Yrarrázaval, Pulido & Brunner, Ltda.**  
El Golf 40, Piso 20  
Santiago  
Republic of Chile

**INDEPENDENT AUDITORS**

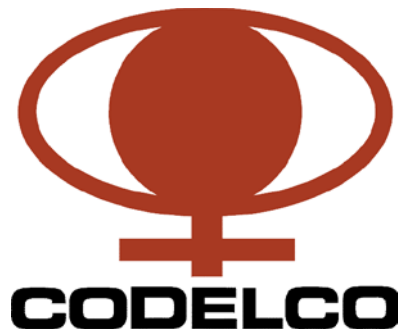
**Deloitte**  
Auditores y Consultores Ltda.  
Av. Providencia 1760, Piso 8  
Santiago  
Republic of Chile

**Ernst & Young Servicios Profesionales de Auditoria y Asesorias Limitada**  
Av. Presidente Riesco 5435, 9th floor  
Santiago  
Republic of Chile

---

---

**U.S.\$2,000,000,000**



**Corporación Nacional del Cobre de Chile**

**U.S.\$1,250,000,000 3.00% Notes due 2022**

**U.S.\$750,000,000 4.25% Notes due 2042**

---

**Offering Memorandum**

---

*Joint Book-Running Managers*

**HSBC**

**J.P. MORGAN**

---

---

**July 17, 2012**