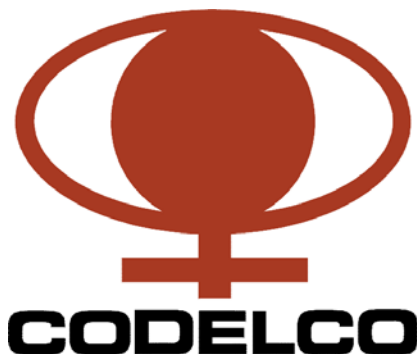


U.S.\$1,150,000,000



Corporación Nacional del Cobre de Chile

3.875% Notes due 2021

The notes will bear interest at the rate of 3.875% per year and will be payable semi-annually in arrears on May 3 and November 3 of each year, beginning on May 3, 2012. The notes will mature on November 3, 2021. The notes will not be redeemable prior to maturity except in the event of certain developments affecting taxation. See “Description of Notes—Tax Redemption.”

The notes will be direct, unsecured and unsubordinated obligations of Corporación Nacional del Cobre de Chile (“CODELCO” 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. This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

See “Risk Factors” beginning on page 12 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 were 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 November 3, 2011.

Issue price: 98.589% plus any accrued interest from November 3, 2011.

Joint Book-Running Managers

HSBC

Mitsubishi UFJ Securities

The date of this offering memorandum is November 3, 2011.



(Illustrative map of continental Chile)

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.

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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 does not constitute an offer 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.

IN CONNECTION WITH THIS OFFERING, HSBC SECURITIES (USA) INC. OR MITSUBISHI UFJ SECURITIES (USA), INC., 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 MITSUBISHI UFJ SECURITIES (USA), INC., 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 12 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”). IFRS differs in significant respects from Chilean GAAP. See “Annex A—Significant Differences Between Chilean GAAP and IFRS” contained elsewhere in this offering memorandum for a description of the principal differences between Chilean GAAP and IFRS as they relate to CODELCO. 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.

The audited consolidated statements of financial position as of December 31, 2009 and 2010 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 and 2010 included herein (the “Year-end Consolidated Financial Statements”), are presented in accordance with IFRS. We have also included audited consolidated balance sheets of CODELCO as of December 31, 2008 and 2009 and the consolidated statement of income for each of the years ended December 31, 2008 and 2009, presented in conformity with Chilean GAAP.

The unaudited interim consolidated statements of financial position as of June 30, 2011 and the unaudited consolidated statements of income, comprehensive income, changes in equity and cash flows for the three and six-month periods ended June 30, 2011 and 2010 (the “Unaudited Interim Consolidated Financial Statements”) included in this offering memorandum are presented in accordance with IFRS. The Unaudited Interim Consolidated Financial Statements, the Year-end Consolidated Financial Statements and the consolidated financial statements presented for each of the years ended December 31, 2008 and 2009 in accordance with Chilean GAAP in this offering memorandum are sometimes 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 each case determined in accordance with Chilean GAAP or IFRS, as the case may be. Adjusted EBITDA is not a measure of financial performance or liquidity under Chilean GAAP or 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 and Chilean GAAP, gross profit is calculated before provision for the 10% special export tax payable by CODELCO under Law 13.196, as well as the 5% 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 31, 2010 was Ch\$468.37 = U.S.\$1.00, as of June 30, 2011 was Ch\$471.13 = U.S.\$1.00 and as of October 27, 2011 was Ch\$501.12 = 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, U.S. or Chilean 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 for periods prior to January 1, 2009 has been prepared in accordance with Chilean GAAP, and financial information for periods subsequent to January 1, 2009 has been 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.\$16.07 billion in 2010). As of December 31, 2010, CODELCO's total assets and equity amounted to U.S.\$20.28 billion and U.S.\$4.53 billion, respectively, without including the value of CODELCO's mining concessions and ore deposits (as of June 30, 2011, such amounts were U.S.\$20.01 billion and U.S.\$5.63 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 2010, CODELCO had an estimated 11% share of total world copper production, with production of approximately 1.76 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 21,677 metric tons.

CODELCO's main commercial product is Grade A cathode copper. In 2010, CODELCO derived 92% of its total sales from copper and 8% of its total sales from by-products of its copper production (and for the six-month period ended June 30, 2011, 90% and 10%, respectively).

CODELCO's sales of copper in 2010 were geographically diversified, with approximately 59% of sales made to Asia, including 43% to China, 20% to Europe, 20% to North America and South America, and the remainder to Oceania. CODELCO's top ten customers purchased approximately 26% of its total copper sales volume in 2010.

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 2010, this division produced 528,377 metric tons of copper cathodes, or 31.3% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 106.6 cents per pound.
- 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 2010, this division produced 375,344 metric tons of copper cathodes, or 22.2% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 96.7 cents per pound.
- 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 Caltones smelter. In 2010, this division produced 403,616 metric tons of copper, or 23.9% of

CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 85.75 cents per pound.

- 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 188,494 metric tons of copper in 2010, or 11.2% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 108.45 cents per pound.
- 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 76,184 metric tons of copper cathodes in 2010 from its own mine production, or 4.5% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 149.3 cents per pound. 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 390,923 metric tons of copper in 2010. 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 produce an average of 170,000 tons of copper per year and 300 tons of silver per year, starting in 2013.

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 2010, this mine produced 117,052 metric tons of copper, or 6.9% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit) with a cash cost of 129.9 cents per pound. The ore body is located in Chile's Second Region and contains proven and probable reserves of 526 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 2010, CODELCO's proven and probable reserves represented at least 30 years of future production at current levels. According to the U.S. Geological Survey, CODELCO's proven and probable reserves increased from 52.7 million tons in 2009 to 57.1 million tons in 2010.
- *Market Presence.* CODELCO is the largest copper producer in the world, with an estimated 11% share of the total world copper production, with 1.76 million metric tons (including CODELCO's share of the El Abra deposit) of production in 2010. CODELCO is also one of the largest producers of molybdenum in the world, with an estimated 9% share of total world molybdenum production, with 21,677 metric tons in 2010. 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 2010, CODELCO's total costs and expenses were 197.6 cents per pound, compared to 157.8 cents per pound in 2009. For the first six months of 2011, CODELCO's total costs and expenses were 210.9 cents per pound compared to 178.4 cents per pound for the same period in 2010. In 2010, CODELCO's cash cost of production was 104.4 cents per pound, compared to 92.9 cents per pound in 2009 and 70.2 cents per pound in 2008. For the first six months of 2011, CODELCO's cash cost of production was 104.8 cents per pound, compared to 106.1 cents per pound for the first six months of 2010. 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 2010, CODELCO's earnings before interest expense, taxes (including income and export taxes), depreciation and amortization (EBITDA) amounted to U.S.\$7.4 billion; total debt to capitalization as of December 31, 2010 was 58.3% and the ratio of total debt to Adjusted EBITDA was 0.9%.
- *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, 2010, and is a key contributor to the Chilean government budget. In 2010, CODELCO contributed U.S.\$6.1 billion to the Chilean Treasury and accounted for approximately 21% of Chile's total exports.

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 invest approximately U.S.\$17.5 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 includes:
 - the development of the Mina Ministro Hales ore body (U.S.\$2.3 billion investment to produce an expected total average of 170,000 tons of copper per year and 300 tons of silver per year starting in 2013);

- the development of a new production level in the existing El Teniente underground mine (U.S.\$3.0 billion investment to maintain El Teniente's current annual copper production of approximately 400,000 tons of copper per year starting in 2018; environmental approvals were obtained in March 2011);
- the expansion of the existing Andina mine (U.S.\$6.3 billion investment to enable Andina to produce an expected average of an additional 350,000 tons of copper per year for a total expected average of approximately 600,000 tons of copper per year starting in 2019); and
- the gradual transfer of the Chuquicamata mine from an open pit mine to an underground operation (U.S.\$3.8 billion investment to enable Chuquicamata to produce an expected total average of 315,000 tons of copper per year starting in 2018; environmental approvals were obtained in September 2010).

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

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. 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.\$406.3 million for the six months ended June 30, 2011 and U.S.\$900.3 million for the year ended December 31, 2010. Anglo Sur reported that in 2010, Los Bronces mine produced over 221,000 tons of fine copper and more than 1,900 tons of molybdenum, El Soldado mine produced more than 40,000 tons of fine copper and the Chagres Smelter produced approximately 138,000 tons of fine copper. CODELCO has the right to exercise the option only

during the month of January in every third year, beginning in 2009 through 2027. The next exercise period for the option begins on January 1, 2012.

On October 12, 2011, CODELCO entered into an agreement with Mitsui & Co. Ltd (“Mitsui”) pursuant to which Mitsui will make available to CODELCO’s wholly-owned investment subsidiary, Inversiones Mineras Acrux SpA (“Acrux”), a short-term bridge financing facility of up to U.S.\$6.75 billion, guaranteed by CODELCO and subsidiaries of Acrux, to fund the purchase of Anglo Sur equity, should CODELCO elect to exercise its 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 comprising an indirect 50% stake in the Anglo Sur interest acquired at a pre-determined value for the 49% interest in Anglo Sur of approximately U.S.\$9.76 billion. The balance of the bridge loan will 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 have 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. Although CODELCO currently intends to exercise its call option to purchase the equity stake in Anglo Sur, there can be no assurance that CODELCO will choose to do so or elect to repay financing with equity pursuant to the terms of its agreement with Mitsui.

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	3.875% notes due 2021.
Principal Amount	The aggregate principal amount of the notes will be U.S.\$1,150,000,000.
Issue Price.....	The issue price of the notes is 98.589%.
Interest	The notes will bear interest at the rate of 3.875% per annum payable semi-annually in arrears on May 3 and November 3 of each year beginning on May 3, 2012. See “Description of Notes.”
Maturity	November 3, 2021.
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.....	The notes will be the direct, unsecured and unsubordinated obligations of CODELCO ranking <i>pari passu</i> with all other unsecured and unsubordinated obligations of CODELCO, other than certain obligations granted preferential treatment pursuant to Chilean law. The notes will contain no restrictions on the amount of additional indebtedness which may be incurred by CODELCO or its subsidiaries; however, as set forth under “Description of Notes—Limitation on Liens,” the notes will contain certain restrictions on the ability of CODELCO and its subsidiaries to incur secured indebtedness. See “Description of Notes.”
Certain Covenants	The notes will contain certain covenants, including, but not limited to, covenants with respect to (i) limitations on liens, (ii) limitations on sale and lease-back transactions and (iii) limitations regarding consolidation, merger, conveyance, sale or lease transactions. See “Description of Notes—Limitation on Liens,” “—Limitation on Sale and Lease-Back Transactions” and “—Consolidation, Merger, Conveyance, Sale or Lease.”
Transfer Restrictions	The notes have not been and will not be registered under the Securities Act and are subject to restrictions on resales. See “Transfer Restrictions.”
Further Issues.....	In accordance with the terms of the Fiscal and Paying Agency Agreement, CODELCO may issue additional notes of the same series as the notes offered 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 partially finance capital expenditures and refinance liabilities, and for general corporate purposes.
Fiscal and Paying Agent.....	The Bank of New York Mellon
Risk Factors	
12.	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 and 2010, and the Unaudited Interim Consolidated Financial Information for the three and six-month periods ended June 30, 2010 and 2011, and other financial information included in this offering memorandum, unless otherwise indicated for periods after January 1, 2009, are presented in accordance with IFRS. The unaudited interim information for the six-month periods ended June 30, 2010 and 2011 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 separately presented consolidated financial statements for 2008 and 2009 are prepared in accordance with Chilean GAAP. The unaudited results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the year ending December 31, 2011 or any other period.

	For the year ended December 31,		For the six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$, in accordance with IFRS)			
	(unaudited)			
CONSOLIDATED INCOME STATEMENT DATA				
Revenues	\$ 12,379,137	\$ 16,065,946	\$ 6,743,645	\$ 8,880,048
Cost of sales ⁽¹⁾	(7,666,010)	(9,088,740)	(4,161,656)	(4,859,578)
Gross profit	4,713,127	6,977,206	2,581,989	4,020,470
Other income	308,363	141,473	61,312	513,398
Distribution cost	(19,157)	(14,994)	(7,077)	(5,837)
Administrative expenses	(323,836)	(390,234)	(171,869)	(227,440)
Other expenses ⁽²⁾	(1,458,441)	(2,058,867)	(742,785)	(1,251,820)
Other gains (losses)	14,749	28,040	13,568	31,160
Finance income	27,666	35,559	12,099	22,027
Finance cost	(318,757)	(331,132)	(143,164)	(105,858)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	310,651	303,395	150,454	124,544
Exchange differences	(266,531)	(202,524)	31,014	41,873
Profit (loss) for the period before tax	2,987,834	4,487,922	1,785,541	3,162,517
Income tax expense ⁽³⁾	(1,813,643)	(2,611,601)	(1,031,078)	(1,983,061)
Profit (loss) for the period	1,174,191	1,876,321	754,463	1,179,456
Profit (loss), attributable to equity holders of parent	1,176,226	1,877,659	755,166	1,180,068
Profit (loss), attributable to non-controlling interests	(2,035)	(1,338)	(703)	(612)
Profit (loss) for the period	\$ 1,174,191	\$ 1,876,321	\$ 754,463	\$ 1,179,456
STATEMENTS OF FINANCIAL POSITION INFORMATION				
	As of January 1, 2009	As of December 31, 2009	As of December 31, 2010	As of June 30, 2011
	(in thousands of U.S.\$, in accordance with IFRS)			
	(unaudited)			
Total current assets	\$ 3,729,946	\$ 4,995,564	\$ 5,951,476	\$ 5,682,738
Total property, plant and equipment	10,507,650	11,210,433	12,351,430	12,839,686
Investments accounted for using the equity method ⁽⁴⁾	1,084,470	1,100,156	1,260,774	794,035
Non-current rights receivables	149,234	198,102	198,785	273,447
All other assets	263,493	749,625	516,576	420,465
Total assets	\$ 15,734,793	\$ 18,253,880	\$ 20,279,041	\$ 20,010,371
Total current liabilities	3,022,841	4,096,615	5,243,827	4,049,393
Total non-current liabilities	8,147,686	9,714,038	10,504,002	10,330,945
Total liabilities	\$ 11,170,527	\$ 13,810,653	\$ 15,747,829	\$ 14,380,338
Non-controlling interests	2,951	2,007	1,994	2,472
Equity attributable to equity holders of parent	4,561,315	4,441,220	4,529,218	5,627,561
Total equity	\$ 4,564,266	\$ 4,443,227	\$ 4,531,212	\$ 5,630,033
Total liabilities and equity	\$ 15,734,793	\$ 18,253,880	\$ 20,279,041	\$ 20,010,371
OTHER ITEMS				
	For the year ended December 31,		For the six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$, except ratios and copper prices, in accordance with IFRS)			
	(unaudited)			
Depreciation and amortization of assets	\$ 1,082,086	\$ 1,304,600	\$ 632,139	\$ 729,473
Interest income (expense), net	\$ (291,091)	\$ (295,573)	\$ (131,065)	\$ (83,831)
Ratio of earnings to fixed charges ⁽⁵⁾	10.4	14.6	13.5	30.9
Average LME copper price (U.S. ¢ per pound) ⁽⁶⁾	234.22	341.98	323.42	426.27
Adjusted EBITDA ⁽⁷⁾	\$ 5,368,583	\$ 7,434,387	\$ 3,084,247	\$ 4,748,785
Ratio of debt to Adjusted EBITDA	0.9	0.9	—	—
Adjusted EBITDA coverage ratio ⁽⁸⁾	18.4	25.2	23.5	56.6

- (1) Cost of sales for any period includes direct and indirect costs, depreciation and amortization associated with the production of copper and by-products, as well as purchase costs of third-party copper, sold by CODELCO in that period.
- (2) 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) Effective January 1, 2006, CODELCO became subject to a 5% mining tax on its operating income. 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 the mining tax rate effective in 2012. In addition, CODELCO is subject to a special corporate income tax rate of 20% for 2011 (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 8 to the Unaudited Interim Consolidated Financial Statements, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business and Properties—Associations, Joint Ventures and Partnerships."
- (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 (loss) under IFRS for the periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$ in accordance with IFRS)			
			(unaudited)	
Profit (loss) for the period	\$ 1,174,191	\$ 1,876,321	\$ 754,463	\$ 1,179,456
Income tax expense	1,813,643	2,611,601	1,031,078	1,983,061
Depreciation and amortization of assets	1,082,086	1,304,600	632,139	729,473
Export taxes	979,906	1,310,733	523,403	750,937
Finance cost	318,757	331,132	143,164	105,858
Adjusted EBITDA	<u>\$ 5,368,583</u>	<u>\$ 7,434,387</u>	<u>\$ 3,084,247</u>	<u>\$ 4,748,785</u>

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

	For the year ended December 31,		For the six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$, except ratios, in accordance with IFRS)			
			(unaudited)	
Profit (loss) for the period	\$ 1,174,191	\$ 1,876,321	\$ 754,463	\$ 1,179,456
Income tax expense	1,813,643	2,611,601	1,031,078	1,983,061
Finance cost	318,757	331,132	143,164	105,858
Earnings	<u>\$ 3,306,591</u>	<u>\$ 4,819,054</u>	<u>\$ 1,928,705</u>	<u>\$ 3,268,375</u>
Ratio of earnings to fixed charges ⁽¹⁾	10.4	14.6	13.5	30.9

- (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 six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$, except ratios, in accordance with IFRS)			
			(unaudited)	
Debt	\$ 4,667,954	\$ 6,346,437	\$ 6,346,437	\$ 6,347,864
Ratio of debt to Adjusted EBITDA	0.9	0.9	—	—
Finance income	27,666	35,559	12,099	22,027
Adjusted EBITDA coverage ratio ⁽¹⁾	18.4	25.2	23.5	56.6

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

The following table presents CODELCO's summary consolidated financial data for 2008 and 2009 in accordance with Chilean GAAP.

	For year ended December 31,	
	2008	2009
	(in thousands of U.S.\$, except ratios and copper prices, in accordance with Chilean GAAP)	
CONSOLIDATED INCOME STATEMENT DATA		
Total sales.....	\$ 14,424,756	\$ 12,147,819
Cost of sales ⁽¹⁾	(8,840,972)	(7,454,172)
Gross profit	5,583,784	4,693,647
Selling and administrative expenses	(354,186)	(309,093)
Operating income.....	5,229,598	4,384,554
Non-operating income (expense) ⁽²⁾	(1,419,317)	(1,274,076)
Income before income taxes and minority interest.....	3,810,281	3,110,478
Taxes ⁽³⁾	(2,245,965)	(1,850,811)
Minority interest.....	2,418	2,051
Amortization of negative goodwill	41	—
Net Income	\$ 1,566,775	\$ 1,261,718
BALANCE SHEET INFORMATION (END OF PERIOD)		
Total current assets.....	\$ 3,581,268	\$ 4,457,453
Total property, plant and equipment.....	8,213,883	9,204,177
Investments in other companies ⁽⁴⁾	1,079,134	1,117,207
Long-term accounts receivable	177,526	524,010
All other assets	654,849	736,250
Total assets	\$ 13,706,660	\$ 16,039,097
Total current liabilities	2,938,166	2,488,734
Total long-term liabilities	6,890,072	8,238,686
Total liabilities	\$ 9,828,238	\$ 10,727,420
Minority interest.....	2,730	3,092
Total equity	3,875,692	5,308,585
Total liabilities and equity	\$ 13,706,660	\$ 16,039,097
OTHER ITEMS		
Depreciation and amortization of assets (excluding goodwill)	\$ 1,003,827	\$ 1,085,296
Interest income (expense), net	\$ (180,716)	\$ (211,677)
Ratio of earnings to fixed charges ⁽⁵⁾	17.0	14.0
Average LME copper price (U.S. ¢ per pound) ⁽⁶⁾	315.32	234.22
Adjusted EBITDA ⁽⁷⁾	\$ 6,214,444	\$ 5,396,384
Ratio of debt to Adjusted EBITDA	0.8	0.9
Adjusted EBITDA coverage ratio ⁽⁸⁾	34.4	25.5

- (1) Cost of sales for any period includes direct and indirect costs, depreciation and amortization associated with the production of copper and by-products, as well as purchase costs of third-party copper, sold by CODELCO in that period.
- (2) Non-operating income (expense) is comprised principally of gains and losses on sales of assets, interest income, interest expense, participation in income and losses from equity-method investments, costs related to retirement plan and severance indemnities and the 10% 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) Effective January 1, 2006, CODELCO became subject to a 5% mining tax on its operating income. 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 (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 consolidated financial statements presented in accordance with Chilean GAAP, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business and Properties—Associations, Joint Ventures and Partnerships."
- (5) For the purpose of calculating CODELCO's ratio of earnings to fixed charges, (i) earnings consist of income before provision for taxes and interest expense and (ii) fixed charges consist of interest expense.
- (6) Average price on the LME for Grade A cathode copper during period.
- (7) Adjusted EBITDA is calculated by adding interest expense, taxes (including income and export taxes), depreciation and amortization to net income, in each case determined in accordance with Chilean GAAP. Adjusted EBITDA is presented because it is a widely accepted indicator of funds available to service debt, although it is not a Chilean GAAP-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 interest expense net of interest 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 six months of 2011, copper prices reached an average of 426.27 cents per pound, which may be attributed in part to the increasing demand for copper in China. China has been the main driver of copper consumption over the last few years, and in 2009 and 2010, 46.5% and 42.8%, 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 2010, 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 74.3% of its copper output in 2010 (including CODELCO's share in El Abra). The Chuquicamata mine produced an aggregate of 528,377 metric tons of copper in 2010, and the Radomiro Tomic mine produced an aggregate of 375,344 metric tons of copper in the same period. The El Teniente Division, including the Caletones smelter, produced 403,616 metric tons of copper in 2010. 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 (PM₁₀) and sulfur dioxide (SO₂) 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 SO₂ emissions and meeting applicable quality standards, a new pollution prevention plan for SO₂ is being developed for the area surrounding the Chuquicamata smelting plant. In addition, the pollution reduction plan for PM₁₀ 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 PM₁₀ 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 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), air emission standards for smelters and mine closures (including regulations related to health, safety and environmental obligations along with mandatory provisions that could require financial guarantees). Each of these laws and regulations could result in significant additional environmental compliance costs. At June 30, 2011, CODELCO had total provisions of U.S.\$1,031

million for mine closure expenses (asset retirement and decommissioning). CODELCO is currently unable to estimate the costs of complying with potential new regulations regarding mine closure and 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 invest approximately U.S.\$17.5 billion over the next five years on major projects, which it intends to finance through depreciation, amortization, deferred taxes, debt financing and, for each of the next two years and, subject to approval each year by the Ministries of Mining and Finance, retained earnings of approximately 30% of its net income each year. 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. 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, 2010, CODELCO employed 19,347 employees, 94.6% 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 11 collective bargaining agreements in 2010 and early 2011 without conflict or work stoppage. The only collective bargaining agreement with a near-term expiration is the

agreement pertaining to approximately 625 supervisors in the Radomiro Tomic and Chuquicamata Divisions, which expires on November 30, 2011. Negotiations began in October 2011.

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.

There are currently 26,373 employees of regular independent operating contractors and 12,592 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 June 30, 2011, these hedges had a range of maturities through January 2013, covered approximately 250,800 metric tons of copper (not to exceed approximately 7% 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.\$1.66 billion. In the first six months of 2011, CODELCO's production hedging activities had a negative impact of U.S.\$658 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 2010 and the first half of 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.

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 27 to the 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 2011, the Ministries of Mining and Finance approved the retention of approximately 20% of 2010 net income, or U.S.\$376 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). Since 2007, the Government of Chile has authorized the retention of almost U.S.\$2.3 billion within CODELCO. Although CODELCO currently expects the Ministries of Mining and Finance to approve capitalization of approximately 30% of net income in each of 2012 and 2013, there can be no assurance that such capitalization will be approved in those years or in future years.

If CODELCO's funding through capitalization of net income, 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. CODELCO is currently subject to a 5% mining tax on its operating income (determined as provided in article 64 bis of the Chilean Income Tax Law). For 2010, CODELCO distributed a total of U.S.\$6.1 billion (including income tax, and export tax payments and distributions) to the Chilean Treasury. A new bill has been approved by the Chilean Congress and ratified by the President of the Republic of Chile and published in the Official Gazette, which will increase the mining tax on operating income to a progressive rate of between 5% and 14%, and will be effective starting in 2012. The tax will be imposed on operating income generated during calendar year 2011 and will be determined as provided in new articles 64 bis and 64 ter of the Chilean Income Tax Law). Currently, CODELCO estimates that the effective rate of the mining tax for 2011 will be 5.68%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Distributions to the Chilean Treasury" and "Regulatory Framework."

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

CODELCO is 100% owned by the 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, 2010 and in the first six months of 2011:

<u>Year</u>	<u>Inflation (CPI)</u> <u>(in percentages)</u>
2006.....	2.6
2007.....	7.8
2008.....	7.1
2009.....	(1.4)
2010.....	3.0
2011 (through June 30, 2011).....	2.2

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.\$386 million (1.93% of the total amount of assets on a consolidated basis) as of June 30, 2011. 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. In particular, CODELCO has reported its financial results according to Chilean GAAP for the fiscal years ending December 31, 2008 and 2009. Financial results from the first quarter of fiscal year ending December 31, 2010, onwards, were reported according to IFRS in compliance with *Oficio 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.”

In addition, 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 has been made to list the notes on the Luxembourg Stock Exchange. Furthermore, CODELCO does not intend to exchange the notes for notes that are registered under the Securities Act. The initial purchasers are not obligated to make a market in the notes. No assurance can be 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.

USE OF PROCEEDS

The estimated total net proceeds from the offering of the notes is U.S.\$1,125,073,500, after deducting commissions to the initial purchasers, payment of a Chilean stamp tax of U.S.\$6,900,000, and payment of legal fees and all other expenses related to the offering. The net proceeds will be used to partially finance capital expenditures and refinance short-term liabilities, 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 June 30, 2011 and as adjusted to give effect to the offering of the notes and the intended uses of proceeds thereof. This table is qualified in its entirety by reference to, and should be read together with, CODELCO's Unaudited Interim Consolidated Financial Statements, including the notes thereto, included elsewhere in this offering memorandum.

	As of June 30, 2011	
	Actual	As Adjusted
	(in thousands of U.S.\$)	
Short-term debt		
Current portion of loans from financial institutions ⁽¹⁾	\$ 425,368	\$ —
Current portion of bonds	61,689	61,689
Current portions of others	31,056	31,056
Total short-term debt	<u>\$ 518,113</u>	<u>\$ 92,745</u>
Long-term debt		
Bank debt	\$ 1,197,605	\$ 1,197,605
3.96% UF Notes due 2012 ⁽²⁾	326,364	326,364
6.375% Notes due 2012	434,415	434,415
5.500% Notes due 2013	499,241	499,241
4.750% Notes due 2014	496,401	496,401
7.500% Notes due 2019	590,300	590,300
3.750% Notes due 2020	981,917	981,917
4.0% UF Notes due 2025 ⁽³⁾	348,776	348,776
5.625% Notes due 2035	490,024	490,024
6.150% Notes due 2036	495,764	495,764
Long-term of others	208,967	208,967
Notes offered hereby ⁽⁴⁾	—	1,125,074
Total long-term debt	<u>\$ 6,069,774</u>	<u>\$ 7,194,848</u>
Non-controlling interest	\$ 2,472	\$ 2,472
Equity		
Issued capital	\$ 2,524,423	\$ 2,524,423
Other reserves	1,483,734	1,483,734
Retained Earnings:		
Retained earnings	1,305,498	1,305,498
Profits distributions to the Chilean Treasury	(866,162)	(866,162)
Net income for the period	1,180,068	1,180,068
Equity attributable to equity holders of parent	<u>\$ 5,627,561</u>	<u>\$ 5,627,561</u>
Total capitalization⁽⁵⁾	<u>\$ 12,217,920</u>	<u>\$ 12,917,626</u>

- (1) 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.
- (2) The approximate U.S.\$ equivalent of UF 7 million aggregate principal amount of the 3.96% UF notes due 2012 at an exchange rate of U.S.\$1 = UF 0.0214 at June 30, 2011.
- (3) The approximate U.S.\$ equivalent of UF 6.9 million aggregate principal amount of the 4.0% UF notes due 2025 at an exchange rate of U.S.\$1 = UF 0.0214 at June 30, 2011.
- (4) Includes deferred financing costs less the related tax effect.
- (5) 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 2006 as reported by the Central Bank of Chile. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

Observed Exchange Rates (Ch\$ per U.S.\$)				
	High⁽¹⁾	Low⁽¹⁾	Average⁽²⁾	Period-End⁽³⁾
2006	549.63	511.44	530.28	532.39
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

(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 October 27, 2011 was Ch\$501.12 = 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, from which all such data (other than the average 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 and 2010, and the Unaudited Interim Consolidated Financial Information for the six-month periods ended June 30, 2010 and 2011, and other financial information included in this offering memorandum, unless otherwise indicated for periods after January 1, 2009, are presented in accordance with IFRS. The unaudited interim information for the six-month periods ended June 30, 2010 and 2011 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 separately presented consolidated financial statements for 2008 and 2009 are prepared in accordance with Chilean GAAP. The unaudited results of operations for the six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the year ending December 31, 2011 or any other period.

	For the year ended December 31,		For the six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$, in accordance with IFRS)			
	(unaudited)			
CONSOLIDATED INCOME STATEMENT DATA				
Revenues	\$ 12,379,137	\$ 16,065,946	\$ 6,743,645	\$ 8,880,048
Cost of sales ⁽¹⁾	(7,666,010)	(9,088,740)	(4,161,656)	(4,859,578)
Gross profit	4,713,127	6,977,206	2,581,989	4,020,470
Other income	308,363	141,473	61,312	513,398
Distribution cost	(19,157)	(14,994)	(7,077)	(5,837)
Administrative expenses	(323,836)	(390,234)	(171,869)	(227,440)
Other expenses ⁽²⁾	(1,458,441)	(2,058,867)	(742,785)	(1,251,820)
Other gains (losses)	14,749	28,040	13,568	31,160
Finance income	27,666	35,559	12,099	22,027
Finance cost	(318,757)	(331,132)	(143,164)	(105,858)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	310,651	303,395	150,454	124,544
Exchange differences	(266,531)	(202,524)	31,014	41,873
Profit (loss) for the period before tax	2,987,834	4,487,922	1,785,541	3,162,517
Income tax expense ⁽³⁾	(1,813,643)	(2,611,601)	(1,031,078)	(1,983,061)
Profit (loss) for the period	1,174,191	1,876,321	754,463	1,179,456
Profit (loss), attributable to equity holders of parent	1,176,226	1,877,659	755,166	1,180,068
Profit (loss), attributable to non-controlling interests	(2,035)	(1,338)	(703)	(612)
Profit (loss) for the period	\$ 1,174,191	\$ 1,876,321	\$ 754,463	\$ 1,179,456
STATEMENTS OF FINANCIAL POSITION INFORMATION				
	As of January 1, 2009	As of December 31, 2009	As of December 31, 2010	As of June 30, 2011
	(in thousands of U.S.\$, in accordance with IFRS)			
	(unaudited)			
Total current assets	\$ 3,729,946	\$ 4,995,564	\$ 5,951,476	\$ 5,682,738
Total property, plant and equipment	10,507,650	11,210,433	12,351,430	12,839,686
Investments accounted for using the equity method ⁽⁴⁾	1,084,470	1,100,156	1,260,774	794,035
Non-current rights receivables	149,234	198,102	198,785	273,447
All other assets	263,493	749,625	516,576	420,465
Total assets	\$ 15,734,793	\$ 18,253,880	\$ 20,279,041	\$ 20,010,371
Total current liabilities	3,022,841	4,096,615	5,243,827	4,049,393
Total non-current liabilities	8,147,686	9,714,038	10,504,002	10,330,945
Total liabilities	\$ 11,170,527	\$ 13,810,653	\$ 15,747,829	\$ 14,380,338
Non-controlling interests	2,951	2,007	1,994	2,472
Equity attributable to equity holders of parent	4,561,315	4,441,220	4,529,218	5,627,561
Total equity	\$ 4,564,266	\$ 4,443,227	\$ 4,531,212	\$ 5,630,033
Total liabilities and equity	\$ 15,734,793	\$ 18,253,880	\$ 20,279,041	\$ 20,010,371
OTHER ITEMS				
	For the year ended December 31,		For the six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$, except ratios and copper prices, in accordance with IFRS)			
	(unaudited)			
Depreciation and amortization of assets	\$ 1,082,086	\$ 1,304,600	\$ 632,139	\$ 729,473
Interest income (expense), net	\$ (291,091)	\$ (295,573)	\$ (131,065)	\$ (83,831)
Ratio of earnings to fixed charges ⁽⁵⁾	10.4	14.6	13.5	30.9
Average LME copper price (U.S. ¢ per pound) ⁽⁶⁾	234.22	341.98	323.42	426.27
Adjusted EBITDA ⁽⁷⁾	\$ 5,368,583	\$ 7,434,387	\$ 3,084,247	\$ 4,748,785
Ratio of debt to Adjusted EBITDA	0.9	0.9	—	—
Adjusted EBITDA coverage ratio ⁽⁸⁾	18.4	25.2	23.5	56.6

- (1) Cost of sales for any period includes direct and indirect costs, depreciation and amortization associated with the production of copper and by-products, as well as purchase costs of third-party copper, sold by CODELCO in that period.
- (2) 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) Effective January 1, 2006, CODELCO became subject to a 5% mining tax on its operating income. 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 (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 8 to the Explanatory Notes to the Unaudited Interim Consolidated Financial Statements, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business and Properties—Associations, Joint Ventures and Partnerships.”
- (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 (loss) under IFRS for the periods indicated.

	For the year ended December 31,		For the six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$ in accordance with IFRS)			
			(unaudited)	
Profit (loss) for the period	\$ 1,174,191	\$ 1,876,321	\$ 754,463	\$ 1,179,456
Income tax expense	1,813,643	2,611,601	1,031,078	1,983,061
Depreciation and amortization of assets	1,082,086	1,304,600	632,139	729,473
Export taxes	979,906	1,310,733	523,403	750,937
Finance cost	318,757	331,132	143,164	105,858
Adjusted EBITDA	<u>\$ 5,368,583</u>	<u>\$ 7,434,387</u>	<u>\$ 3,084,247</u>	<u>\$ 4,748,785</u>

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

	For the year ended December 31,		For the six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$, except ratios, in accordance with IFRS)			
			(unaudited)	
Profit (loss) for the period	\$ 1,174,191	\$ 1,876,321	\$ 754,463	\$ 1,179,456
Income tax expense	1,813,643	2,611,601	1,031,078	1,983,061
Finance cost	318,757	331,132	143,164	105,858
EBIT	<u>\$ 3,306,591</u>	<u>\$ 4,819,054</u>	<u>\$ 1,928,705</u>	<u>\$ 3,268,375</u>
Ratio of earnings to fixed charges ⁽¹⁾	10.4	14.6	13.5	30.9

- (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 six months ended June 30,	
	2009	2010	2010	2011
	(in thousands of U.S.\$, except ratios, in accordance with IFRS)			
			(unaudited)	
Debt	\$ 4,667,954	\$ 6,346,437	\$ 6,346,437	\$ 6,347,864
Ratio of debt to Adjusted EBITDA	0.9	0.9	—	—
Finance income	27,666	35,559	12,099	22,027
Adjusted EBITDA coverage ratio ⁽¹⁾	18.4	25.2	23.5	56.6

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

The following table presents CODELCO's summary consolidated financial data for 2008 and 2009 in accordance with Chilean GAAP.

	For year ended December 31,	
	2008	2009
	(in thousands of U.S.\$, except ratios and copper prices, in accordance with Chilean GAAP)	
CONSOLIDATED INCOME STATEMENT DATA		
Total sales.....	\$ 14,424,756	\$ 12,147,819
Cost of sales ⁽¹⁾	(8,840,972)	(7,454,172)
Gross profit	5,583,784	4,693,647
Selling and administrative expenses	(354,186)	(309,093)
Operating income.....	5,229,598	4,384,554
Non-operating income (expense) ⁽²⁾	(1,419,317)	(1,274,076)
Income before income taxes and minority interest.....	3,810,281	3,110,478
Taxes ⁽³⁾	(2,245,965)	(1,850,811)
Minority interest.....	2,418	2,051
Amortization of negative goodwill	41	—
Net income	\$ 1,566,775	\$ 1,261,718
BALANCE SHEET INFORMATION (END OF PERIOD)		
Total current assets.....	\$ 3,581,268	\$ 4,457,453
Total property, plant and equipment.....	8,213,883	9,204,177
Investments in other companies ⁽⁴⁾	1,079,134	1,117,207
Long-term accounts receivable	177,526	524,010
All other assets	654,849	736,250
Total assets	\$ 13,706,660	\$ 16,039,097
Total current liabilities	2,938,166	2,488,734
Total long-term liabilities	6,890,072	8,238,686
Total liabilities	\$ 9,828,238	\$ 10,727,420
Minority interest.....	2,730	3,092
Total equity	3,875,692	5,308,585
Total liabilities and equity	\$ 13,706,660	\$ 16,039,097
OTHER ITEMS		
Depreciation and amortization of assets (excluding goodwill)	\$ 1,003,827	\$ 1,085,296
Interest income (expense), net	\$ (180,716)	\$ (211,677)
Ratio of earnings to fixed charges ⁽⁵⁾	17.0	14.0
Average LME copper price (U.S. ¢ per pound) ⁽⁶⁾	315.32	234.22
Adjusted EBITDA ⁽⁷⁾	\$ 6,214,444	\$ 5,396,384
Ratio of debt to Adjusted EBITDA	0.8	0.9
Adjusted EBITDA coverage ratio ⁽⁸⁾	34.4	25.5

- (1) Cost of sales for any period includes direct and indirect costs, depreciation and amortization associated with the production of copper and by-products, as well as purchase costs of third-party copper, sold by CODELCO in that period.
- (2) Non-operating income (expense) is comprised principally of gains and losses on sales of assets, interest income, interest expense, participation in income and losses from equity-method investments, costs related to retirement plan and severance indemnities and the 10% 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) Effective January 1, 2006, CODELCO became subject to a 5% mining tax on its operating income. 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 (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 consolidated financial statements presented in accordance with Chilean GAAP, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business and Properties—Associations, Joint Ventures and Partnerships."
- (5) For the purpose of calculating CODELCO's ratio of earnings to fixed charges, (i) earnings consist of income before provision for taxes and interest expense and (ii) fixed charges consist of interest expense.
- (6) Average price on the LME for Grade A cathode copper during period.
- (7) Adjusted EBITDA is calculated by adding interest expense, taxes (including income and export taxes), depreciation and amortization to net income, in each case determined in accordance with Chilean GAAP. Adjusted EBITDA is presented because it is a widely accepted indicator of funds available to service debt, although it is not a Chilean GAAP-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 interest expense net of interest 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 2008, 2009 and 2010 and for the six months ended June 30, 2010 and 2011. For more information regarding such data, see “Business and Properties.”

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
COPPER MINING OPERATIONS					
Ore Mined (in thousands of dry metric tons):					
CODELCO Norte Division ⁽¹⁾	126,222	128,377	123,724	—	—
Chuquicamata Division	—	—	—	28,403	24,938
Radomiro Tomic Division	—	—	—	32,895	37,084
El Teniente Division	44,781	48,577	47,049	22,604	22,348
Andina Division	23,386	23,168	23,773	9,113	15,251
Salvador Division	12,645	16,476	16,704	8,473	7,436
Gabriela Mistral	13,786	23,806	18,987	8,106	11,240
Total	220,820	240,404	230,237	109,594	118,298
Average Copper Ore Grade:					
CODELCO Norte Division ⁽¹⁾	0.70%	0.79%	0.82%	—	—
Chuquicamata Division	—	—	—	0.84%	1.03%
Radomiro Tomic Division	—	—	—	0.60	0.74
El Teniente Division	0.99	0.95	0.97	0.97	0.95
Andina Division	1.07	1.04	0.92	0.98	0.87
Salvador Division	0.57	0.55	0.61	0.59	0.62
Gabriela Mistral	0.68	0.77	0.86	0.97	0.63
Weighted Average	0.79%	0.83%	0.85%	0.84%	0.84%
PLANT COPPER PRODUCTION					
(by division in metric tons):					
CODELCO Norte Division ⁽¹⁾	755,258	874,748	903,720	—	—
Chuquicamata Division	—	—	—	261,207	206,085
Radomiro Tomic Division	—	—	—	178,416	230,033
El Teniente Division	381,224	404,035	403,616	188,212	181,605
Andina Division	219,554	209,727	188,493	76,285	113,077
Salvador Division	42,682	65,462	76,184	35,603	34,874
Gabriela Mistral	67,732	148,026	117,052	58,854	52,462
Total	1,466,450	1,701,998	1,689,065	798,577	818,136
PLANT COPPER PRODUCTION					
(contained copper in metric tons):					
ER Cathodes	314,213	423,902	431,799	211,137	182,148
SX-EW Cathodes	523,600	615,982	601,433	292,721	290,900
Fire-refined	98,923	87,778	100,482	50,984	35,049
Anodes – Blister	279,921	305,302	293,841	142,419	134,876
Concentrates	249,793	269,034	261,510	101,316	175,164
Total	1,466,450	1,701,998	1,689,065	798,577	818,136
MOLYBDENUM PRODUCTION					
(contained molybdenum in metric tons)	20,525	21,556	21,677	9,053	11,747
COPPER SALES					
(in metric tons; includes sales of third-party copper):					
Cathodes	1,537,810	1,618,541	1,598,707	798,515	735,863
Fire-refined	98,228	88,421	99,665	50,409	39,027
Anodes – Blister	130,942	126,559	120,521	49,132	33,421
Concentrates	159,720	183,847	162,961	56,731	89,919
Total	1,926,700	2,017,368	1,981,854	954,787	898,230
COPPER EXPORTS					
(in metric tons; includes sales of third-party copper):					
Cathodes	1,464,023	1,547,307	1,505,677	751,429	696,968
Fire-refined	89,841	83,405	95,778	48,094	38,446
Blister	130,936	114,443	116,003	46,603	33,422
Concentrates	144,701	138,235	131,793	46,864	87,405
Total	1,829,501	1,883,390	1,849,251	892,990	856,241
INVENTORIES OF COPPER AT PERIOD-END					
(in metric tons)	92,921	75,109	76,811	68,103	99,900

- (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. See Section III to the Year-end Consolidated Financial Statements. 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 is 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 Year-end Consolidated Financial Statements for 2009 and 2010, and the Unaudited Interim Consolidated Financial Information for the three and six-month periods ended June 30, 2010 and 2011, and other financial information included in this offering memorandum, unless otherwise indicated for periods after January 1, 2009, are presented in accordance with IFRS.

As a result of the adoption of IFRS, there were significant changes in the presentation of the Company's financial statements and its level of equity. The Company's IFRS financial statements also include additional disclosures that are not required by Chilean GAAP. The adoption of IFRS represents an accounting change only and does not affect the Company's operations or cash flows.

CODELCO's restated equity as a result of the IFRS transition as of January 1, 2009 was U.S.\$4,564.3 million, compared to equity of U.S.\$3,875.7 million under Chilean GAAP.

The principal factors contributing to the increase in equity are the measurement of property, plant and equipment at fair value (which increased equity by U.S.\$1,803.7 million) and the recording of defined benefit obligations with employees at net present value (which increased equity by U.S.\$270.4 million). See Note 2 to Section III to the Year-end Consolidated Financial Statements. These increases were partially offset by the deferred tax effect on IFRS adjustments (a decrease of U.S.\$1,335.3 million in equity).

See Section III to the Year-end Consolidated Financial Statements for further details.

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 2010, CODELCO derived 92% of its total sales from copper and 8% of its total sales from by-products of its copper production, primarily molybdenum.

CODELCO's financial performance is significantly affected by the market prices of copper. As with prices for other commodities, copper prices have historically been subject to wide fluctuations. LME copper prices

averaged 341.98 cents per pound in 2010, compared to 234.22 cents per pound in 2009 and 315.32 cents per pound in 2008. In the first half of 2011, the trend of increasing copper prices continued and rose to 426.27 cents per pound on June 30, 2011. On October 26, 2011 the closing price for refined copper on the LME was 350.20 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 2010, CODELCO’s total costs and expenses were 197.6 cents per pound, compared to 157.8 cents per pound in 2009 and 178.0 cents per pound in 2008. This increase was mainly driven by the costs of early retirement plans, workforce reduction programs and the terms of the various new collective bargaining agreements entered into during the relevant period. In addition, the increase was closely related to Chilean economic conditions such as inflation and the appreciation of the Chilean peso against the U.S. dollar. For the first six months of 2011, CODELCO’s total costs and expenses were 210.9 cents per pound compared to 178.4 cents per pound for the same period in 2010. This increase is primarily attributable to the appreciation of the Chilean peso against the U.S. dollar, the increase in CODELCO’s input prices, the implementation effects of the 2010 early retirement plans, workforce reduction programs and new collective bargaining agreements signed during the relevant period, especially the collective bargaining agreement related to El Teniente. The increase in total costs was partially offset by an increase in the amount of ore mined. For the first six months of 2011, CODELCO’s total costs and expenses were U.S.\$3,804 million.

CODELCO’s cash cost of production was 70.2 cents, 92.9 cents and 104.4 cents per pound in 2008, 2009 and 2010, respectively, and 104.8 cents per pound for the first six months of 2011. Total cash cost for the first six months of 2011 was U.S.\$1.9 billion. 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.” Cash cost increased in 2009 as compared to 2008 due to a lower by-product credit, mainly as a result of a 61.3% reduction in molybdenum prices. In 2010, CODELCO’s cash cost continued to increase 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 the first six months of 2011, CODELCO’s cash cost of production was 104.8 cents per pound, compared to 106.1 cents per pound for the first six months of 2010, primarily due to an increase in the average price of molybdenum and higher volumes sold of anodic slimes and other by-products.

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 June 30, 2011, these hedges had a range of maturities through January 2013, covered approximately 250,800 metric tons of copper (not to exceed approximately 7% 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.\$1.66 billion. In the first six months of 2011, CODELCO’s production hedging activities had a negative impact of U.S.\$658 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.

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 27 to the Year-end Consolidated Financial Statements and Note 28 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 2010, CODELCO's annual production of its own copper was 1.76 million metric tons including El Abra (as compared to 1.78 million metric tons in 2009 and 1.55 million metric tons in 2008). Accordingly, in 2010, 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's copper production, excluding CODELCO's share of the El Abra deposit, increased to 818,136 metric tons for the first six months of 2011 from 798,577 metric tons in the first six months of 2010, 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. 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, Radomiro Tomic Sulfides project, the Pilar Norte area at El Teniente mine and the new Mina Ministro Hales ore body, the Company 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) an acceleration of the development of key projects, including the Mina Ministro Hales ore body and the new mine level at El Teniente. 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 2010, CODELCO invested more than U.S.\$2.6 billion, mainly in the Andina Phase I Expansion Project, the Radomiro Tomic Sulfides project and the Pilar Norte area at El Teniente mine. 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 total sales under Chilean GAAP and revenues under IFRS, respectively. 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,		Six months ended June 30,	
	2009	2010	2010	2011
	(in accordance with IFRS)		(unaudited)	
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	(61.9)	(56.6)	(61.7)	(54.7)
Gross profit.....	38.1	43.4	38.3	45.3
Other income	2.5	0.9	0.9	5.8
Administrative expenses.....	(2.6)	(2.4)	(2.5)	(2.6)
Other expenses	(11.8)	(12.8)	(11.0)	(14.1)
Finance cost.....	(2.6)	(2.1)	(2.1)	(1.2)
Profit (loss) for the period before tax.....	24.1	27.9	26.5	35.6
Income tax expense.....	(14.7)	(16.3)	(15.3)	(22.3)
Profit (loss) for the period.....	9.5%	11.7%	11.2%	13.3%

	Year ended December 31,	
	2008	2009
	(in accordance with Chilean GAAP)	
Total sales	100.0%	100.0%
Cost of sales.....	(61.3)	(61.4)
Gross profit.....	38.7	38.6
Selling and administrative expenses.....	(2.5)	(2.5)
Operating income.....	36.3	36.1
Non-operating income (expense).....	(9.8)	(10.5)
Income before income taxes and minority interest.....	26.4	25.6
Taxes.....	(15.6)	(15.2)
Net income	10.9	10.4

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

	Year ended December 31,		Six months ended June 30,	
	2009	2010	2010	2011
	(in accordance with IFRS)		(unaudited)	
CODELCO Average Metal Price (per pound) ⁽¹⁾				
Copper	\$ 2.41	\$ 3.22	\$ 3.05	\$ 4.20
Molybdenum	\$ 10.88	\$ 15.29	\$ 15.26	\$ 17.01
CODELCO Sales Volume (in metric tons)				
Own copper ⁽²⁾	1,936,785	1,898,308	911,183	858,852
Third-party copper	156,169	161,552	81,377	66,746
Total copper	2,092,954	2,059,860	992,560	925,599
Molybdenum (in oxide and concentrate)	21,347	21,358	9,615	9,902
CODELCO's Cash Cost of Production (per pound).....	92.9¢	104.4¢	106.1¢	104.8¢

(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.

	Year ended December 31,	
	2008	2009
	(in accordance with Chilean GAAP)	
CODELCO Average Metal Price (per pound) ⁽¹⁾		
Copper	\$ 2.43	\$ 2.35
Molybdenum	\$ 30.55	\$ 10.88
CODELCO Sales Volume (in metric tons)		
Own copper ⁽²⁾	1,737,074	1,865,287
Third-party copper	143,400	89,773
Total copper	1,880,474	1,955,060
Molybdenum (in oxide and concentrate)	23,525	21,347
CODELCO's Cash Cost of Production (per pound)	70.2¢	92.9¢

(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 Six-Month Periods ended June 30, 2010 and 2011

The following table sets forth CODELCO's summarized results of operations for the six months ended June 30, 2010 and 2011:

	Six months ended June 30,		% Change 2010/2011
	2010	2011	
	(in millions of U.S.\$, in accordance with IFRS) (unaudited)		
Revenues	\$ 6,744	\$ 8,880	31.7%
Cost of sales	(4,162)	(4,860)	16.8
Gross profit	2,582	4,020	55.7
Other income	61	513	741.0
Administrative expenses	(172)	(227)	32.0
Other expenses	(743)	(1,252)	68.5
Finance cost	(143)	(106)	(25.9)
Share of profit (loss) of associates and joint ventures accounted for using the equity method	150	125	(16.7)
Exchange differences	31	42	35.5
Profit (loss) for the period before tax	1,786	3,163	77.1
Income tax expense	(1,031)	(1,983)	92.3
Profit (loss) for the period	754	1,179	56.4
Profit (loss), attributable to owners of parent	755	1,180	56.3
Profit (loss), attributable to non-controlling interests	(1)	(1)	—

Revenues. The following table sets forth CODELCO's revenues for the six months ended June 30, 2010 and 2011:

	Six months ended June 30,		% Change 2010/2011
	2010	2011	
	(in millions of U.S.\$, in accordance with IFRS) (unaudited)		
Revenues	\$ 6,744	\$ 8,880	31.7%
Sales of CODELCO's own copper	5,656	7,294	29.0
Sales of third-party copper	561	657	17.1
Sales of by-products and other	527	928	76.4

Revenues from sales of CODELCO's own copper increased by 31.7% to U.S.\$8.88 billion in the first six months of 2011, compared to U.S.\$6.74 billion for the same period in 2010. This increase was principally due to an increase of U.S.\$1.64 billion in the sales of CODELCO's own copper during the first six months of 2011, resulting from an increase in CODELCO's average copper prices from U.S.\$3.05 per pound to U.S.\$4.20 per pound. For the

first six months of 2011, compared to the same period in 2010, total tonnage of copper sold decreased 6.7% mainly due to the decrease of own copper sold.

Third-party copper sales totaled U.S.\$657 million in the first six months of 2011, compared to U.S.\$561 million for the same period in 2010, primarily due to the increase in copper prices. 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 76.4% to U.S.\$928 million in the first six months of 2011, compared to U.S.\$527 million for the same period in 2010. This increase was primarily due to an increase of 174% in other by-products sales such as anodic slimes, sulfuric acid and silver, and higher prices for these by-products.

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 six months ended June 30, 2010 and 2011:

	Six months ended June 30,		% Change 2010/2011
	2010	2011	
	(in millions of U.S.\$, in accordance with IFRS) (unaudited)		
Cost of sales.....	\$ 4,162	\$ 4,860	16.8%
Cost of CODELCO's own copper.....	3,333	3,795	13.9
Cost of third-party sales.....	572	649	13.5
Cost of by-products and other.....	256	416	62.5

CODELCO's total cost of sales increased by 16.8% to U.S.\$4.86 billion (54.7% of sales) in the first six months of 2011, compared to U.S.\$4.16 billion (61.7% of sales) for the same period in 2010 due to the increase in the price of copper, appreciation of Chilean peso against the U.S. dollar and higher costs of inputs in the production process. Higher copper prices increase CODELCO's costs because 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 increased by 13.9% to U.S.\$3.79 billion in the first six months of 2011, compared to U.S.\$3.33 billion for the same period in 2010. This increase was primarily due to higher costs resulting from the appreciation of the Chilean peso against the U.S. dollar, higher costs of inputs used in the production process, including electricity, oil and spare parts, 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 13.5% in the first six months of 2011 to U.S.\$649 million, compared to U.S.\$572 million for the same period in 2010, primarily as a result of the increase in the average price of copper purchased.

The cost of by-products and other increased by 62.5% to U.S.\$416 million in the first six months of 2011, compared to U.S.\$256 million in the first six months of 2010, mainly due to higher molybdenum prices, higher sales volume and higher prices of gold, silver and other by-products.

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 15.3% to U.S.\$729 million for the first six months of 2011, compared to U.S.\$632 million for the same period in 2010. This increase was due to higher levels of overall investment that resulted in depreciable assets.

Gross profit. Gross profit amounted to U.S.\$4.02 billion for the first six months of 2011, compared to U.S.\$2.58 billion for the same period in 2010. The increase was due to the increase in the average price received for CODELCO's product mix, partially offset by an increase in costs, related primarily to increases in the price for minerals purchased by CODELCO from third parties.

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 increased to U.S.\$513.4 million in the first six months of 2011, compared to U.S.\$61.3 million for the same period 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. 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.

Administrative expenses. Administrative expenses were U.S.\$227.4 million (2.6% of total sales) for the first six months of 2011, compared to U.S.\$171.9 million (2.5% of total sales) for the same period in 2010. This increase was due in part to the higher cost of salaries and other expenses.

Other expenses. Other expenses amounted to U.S.\$1,251.8 million (14.1% of total sales) for the first six months of 2011, compared to U.S.\$742.8 million (11.0% of total sales) for the same period in 2010. This increase was primarily due to an increase in the export tax paid by the Company pursuant to Law 13.196, higher sales and increased employee benefits-related expenses as a result of the implementation of the early retirement plans and workforce reduction programs implemented by the end of 2010.

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

	Six months ended June 30,	
	2010	2011
	(in millions of U.S.\$, in accordance with IFRS)	
	(unaudited)	
Law 13.196 export tax	\$ 523	\$ 751
Employee benefits expenses	164	443
Other expenses.....	55	58
Total.....	\$ 743	\$ 1,252

CODELCO recorded other expenses of U.S.\$751 million and U.S.\$523 million in the first six months of 2011 and 2010, 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 increase of this tax recorded in the first six months of 2011 compared to the same period in 2010, is mainly due to a corresponding increase in export sales of CODELCO's own copper.

Finance cost. Finance cost decreased to U.S.\$106 million in the first six months of 2011, compared to U.S.\$143 million for the same period in 2010. This decrease is primarily due to lower interest rates in the first six months of 2011 compared to the same period in 2010. CODELCO's average interest rate is 4.19% as of June 30, 2011. As of June 30, 2011, 74% of bond debt was fixed rate and 26% had a floating rate.

Share of profit (loss) of associates and joint ventures accounted for using the equity method. CODELCO's net equity participation in related companies decreased to a net of U.S.\$124.5 million in the first six months of 2011, compared to U.S.\$150.5 million for the same period in 2010. This decrease was primarily due to the sale of CODELCO's equity interest in E-CL S.A. (formerly Edelnor S.A.) in January 2011, which had accounted for a profit of U.S.\$31.4 million for the first six months of 2010.

Profit (loss) before tax. Profit before tax was U.S.\$3.2 billion in the first six months of 2011, compared to U.S.\$1.8 billion for the same period in 2010, principally due to an increase in copper prices.

Income tax expense. In 2011, CODELCO paid income taxes of 60% in accordance with regulations, comprised of a corporate income tax of 20% (increased from the usual 17% applicable in 2010) and a 40% tax on the earnings of the state-owned enterprises specified in Decree Law 2,398, Art 2. CODELCO is also subject to an additional mining tax that is calculated on its operating income, which will increase the mining tax on operating income to a progressive rate of between 5% and 14%, and will be effective starting in 2012 and imposed on operating income generated during calendar year 2011. Currently, CODELCO estimates that the effective rate of the mining tax for 2011 will be 5.68%. CODELCO's taxes on income amounted to U.S.\$2.0 billion and U.S.\$1.0 billion for the first six months of 2011 and 2010, respectively.

Profit (loss). CODELCO's profit was U.S.\$1.2 billion in the first six months of 2011, compared to U.S.\$754 million for the same period of 2010.

Results from Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009 in Accordance with IFRS

The following table sets forth CODELCO's summarized results of operations for the years ended December 31, 2009 and 2010 in accordance with IFRS:

	Year ended December 31,		% Change
	2009	2010	2009/2010
	(in millions of U.S.\$, in accordance with IFRS)		
Revenues	\$ 12,379	\$ 16,066	29.8%
Cost of sales	(7,666)	(9,089)	18.6
Gross profit.....	4,713	6,977	48.0
Other income.....	308	141	(54.1)
Administrative expenses	(324)	(390)	20.5
Other expenses.....	(1,458)	(2,059)	41.2
Finance cost.....	(319)	(331)	3.9
Share of profit (loss) of associates and joint ventures accounted for using the equity method.....	311	303	(2.3)
Exchange differences	(267)	(203)	(24.0)
Profit (loss) for the period before tax	2,988	4,488	50.2
Income tax expense	(1,814)	(2,612)	44.0
Profit (loss) for the period	1,174	1,876	59.8
Profit (loss), attributable to owners of parent.....	1,176	1,878	59.6
Profit (loss), attributable to non-controlling interests	(2)	(1)	(34.3)

Revenues. The following table sets forth CODELCO's revenues for the years ended December 31, 2009 and 2010 in accordance with IFRS:

	Year ended December 31,		% Change
	2009	2010	2009/2010
	(in millions of U.S.\$, in accordance with IFRS)		
Revenues	\$ 12,379	\$ 16,066	29.8%
Sales of CODELCO's own copper.....	10,297	13,459	30.7
Sales of third-party copper	826	1,256	52.0
Sales of by-products and other.....	1,255	1,351	7.6

Revenues from sales of CODELCO's own copper increased by 30.7% to U.S.\$13.46 billion in 2010, compared to U.S.\$10.30 billion in 2009. This increase was principally due to an increase in the average price for CODELCO's product mix. Due to market fluctuations in the price of copper, the average price for CODELCO's copper product mix increased from U.S.\$2.41 in 2009 to U.S.\$3.22 in 2010. Sales volume of CODELCO's own copper totaled 1.90 million metric tons in 2010 compared to 1.94 million metric tons in 2009.

Third-party copper sales totaled U.S.\$1.26 billion in 2010 and U.S.\$826 million in 2009. This 52.0% increase resulted principally from an increase in average copper prices and a slight increase in the tonnage sold. 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 7.6% to U.S.\$1.35 billion in 2010, compared to U.S.\$1.26 billion in 2009. This increase was primarily 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. CODELCO's cost of sales in any period includes the mining and production costs of its own copper and by-products, as well as the purchase costs of third-party copper, sold by CODELCO in that period.

The following table sets forth CODELCO's total cost of sales for the year ended December 31, 2009 and 2010 in accordance with IFRS:

	Year ended December 31,		% Change
	2009	2010	2009/2010
	(in millions of U.S.\$, in accordance with IFRS)		
Cost of sales	\$ 7,666	\$ 9,089	18.6%
Cost of CODELCO's own copper.....	5,880	6,879	17.0
Cost of third-party sales	828	1,257	51.8
Cost of by-products and other.....	958	953	(0.5)

CODELCO's total cost of sales increased by 18.6% to U.S.\$9.09 billion (56.6% of sales) in 2010, compared to U.S.\$7.67 billion (60.5% of sales) in 2009, mainly due to higher copper prices.

CODELCO's cost of sales of its own copper increased by 17.0% to U.S.\$6.88 billion in 2010, compared to U.S.\$5.88 billion in 2009. This increase was primarily due to the appreciation of the Chilean peso, lower ore grades, higher energy costs and higher costs of other inputs used in the production process.

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

The cost of by-products and other decreased by 0.5% to U.S.\$953 million in 2010, compared to U.S.\$958 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 11.9% in molybdenum cost of sales.

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 20.4% to U.S.\$1.30 billion in 2010, compared to U.S.\$1.08 billion in 2009. This increase was due to higher levels of overall investment that resulted in depreciable assets.

Gross profit. Gross profit amounted to U.S.\$6.98 billion in 2010, compared to U.S.\$4.71 billion in 2009. This 48.2% increase was due to an increase in the average price received for CODELCO's product mix.

Other income. Other income decreased 54.1% from U.S.\$308 million in 2009 to U.S.\$141 million in the 2010 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.\$390 million (2.4% of total sales) in 2010, compared to U.S.\$324 million (2.6% of total sales) in 2009. This increase was primarily due to higher costs related to of salaries, consulting fees, services and copper use promotion costs.

Other expenses. Other expenses amounted to U.S.\$2.06 billion in 2010, compared to U.S.\$1.46 billion in 2009. This 41.2% increase was primarily due to an increase in the export tax paid by the Company (required by

Law 13.196) and the increase in employee expenses as the result of the implementation of the early retirement plans and workforce reduction programs at the end of 2010 and terms of certain collective bargaining agreements.

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

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

CODELCO recorded other expenses of U.S.\$980 million and U.S.\$1.3 billion in 2009 and 2010, respectively, pursuant to Law 13.196, which levies a 10% tax on CODELCO's exports of its own copper and related by-products. The increase of this tax recorded in 2010 compared to 2009, was mainly due to increased sales as a result of the increase in average prices for CODELCO's product mix.

Finance cost. Finance cost increased to U.S.\$331 million in 2010, compared to U.S.\$319 million in 2009. This increase was primarily due to an increase in the average level of debt, partially offset by lower average interest rates.

Share of profit (loss) of associates and joint ventures accounted for using the equity method. CODELCO's net equity participation in related companies decreased to a net of U.S.\$303 million in 2010, compared to U.S.\$311 million in 2009. This decrease was primarily due to lower profit received from joint ventures accounted for using the equity method (Copper Partners Investment Company Ltd.).

Profit (loss) before tax. Profit before tax was U.S.\$4.49 billion in 2010, compared to U.S.\$2.99 billion in 2009. This increase was mainly due to the increase in average prices for CODELCO's product mix.

Income tax expense. In 2009 and 2010, CODELCO paid income taxes totaling 57%, comprising a corporate income tax of 17% and the 40% tax on the earnings of state-owned enterprises specified in Decree Law 2.398, Art. 2. CODELCO is also subject to a 5% mining tax that is calculated based on its operating income. 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. Taxes on income were U.S.\$2.61 billion and U.S.\$1.81 billion for 2010 and 2009, respectively, reflecting CODELCO's income in these years.

Profit (loss). CODELCO's profit was U.S.\$1.88 billion in 2010, compared to U.S.\$1.17 billion in 2009. This 59.8% increase in 2010 was primarily due to higher copper and molybdenum prices.

Results from Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008 in Accordance with Chilean GAAP

The following table sets forth CODELCO's summarized results of operations for the years ended December 31, 2008 and 2009 in accordance with Chilean GAAP:

	Year ended December 31,		% Change
	2008	2009	2008/2009
	(in millions of U.S.\$, in accordance with Chilean GAAP)		
Total sales.....	\$ 14,425	\$ 12,148	(15.8)%
Cost of sales.....	(8,841)	(7,454)	(15.7)
Gross profit.....	5,584	4,694	(15.9)
Selling and administrative expenses.....	(354)	(309)	(12.7)
Operating income.....	5,230	4,385	(16.2)
Non-operating income (expense).....	(1,419)	(1,274)	(10.2)
Income before income taxes and minority interest.....	3,810	3,110	(18.4)
Taxes.....	(2,246)	(1,851)	(17.6)
Minority interest.....	2	2	0.0
Net income.....	1,567	1,262	(19.5)

Total sales. The following table sets forth CODELCO's total sales for the years ended December 31, 2008 and 2009 in accordance with Chilean GAAP:

	Year ended December 31,		% Change
	2008	2009	2008/2009
	(in millions of U.S.\$, in accordance with Chilean GAAP)		
Total sales.....	\$ 14,425	\$ 12,148	(15.8)%
Sales of CODELCO's own copper.....	10,068	9,675	(3.9)
Sales of third-party copper.....	936	461	(50.7)
Sales of by-products and other.....	3,421	2,012	(41.2)

Total sales of CODELCO's own copper decreased by 3.9% to U.S.\$9.68 billion in 2009, compared to U.S.\$10.07 billion in 2008. This decrease was primarily due to a decrease in the average price for CODELCO's product mix, offsetting the increase in the tonnage of copper sold. Due to market fluctuations in the price of copper, the average price for CODELCO's copper product mix decreased from U.S.\$2.43 in 2008, to U.S.\$2.35 in 2009.

Third-party copper sales totaled U.S.\$461 million in 2009 compared to U.S.\$936 million in 2008. The 50.7% decrease was mainly due to a decrease in the tonnage sold and a decrease in the average price of 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 41.2% to U.S.\$2.01 billion in 2009, compared to U.S.\$3.42 billion in 2008, principally due to a decrease from U.S.\$30.55 per pound to U.S.\$10.88 per pound for the average price of molybdenum and a 9.26% decrease in the tonnage of molybdenum 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 third-party copper, sold by CODELCO in that period. The following table sets forth CODELCO's total cost of sales for the year ended December 31, 2008 and 2009 in accordance with Chilean GAAP:

	Year ended December 31,		% Change
	2008	2009	2008/2009
(in millions of U.S.\$, in accordance with Chilean GAAP)			
Cost of sales	\$ 8,841	\$ 7,454	(15.7)%
Cost of CODELCO's own copper	6,572	5,951	(9.4)
Cost of third-party sales	930	465	(50.0)
Cost of by-products and other	1,339	1,038	(22.5)

CODELCO's total cost of sales decreased by 15.7% to U.S.\$7.45 billion (61.4% of sales) in 2009, compared to U.S.\$8.84 billion (61.3% of sales) in 2008.

The cost of sales of CODELCO's own copper decreased by 9.4% to U.S.\$5.95 billion in 2009, compared to U.S.\$6.57 billion in 2008. This decrease was primarily due to better management of mining variables, such as higher ore grade, higher level of ore processed and higher level of recoveries at treatment plants.

The cost of copper purchased from third parties decreased by 50.0% to U.S.\$465 million in 2009, from U.S.\$930 million in 2008, mainly due to a decrease in the volume of third-party copper purchased by CODELCO and a decrease in the price of copper.

The cost of sales of by-products and other decreased by 22.5% to U.S.\$1.04 billion in 2009 compared to U.S.\$1.34 billion in 2008 primarily due to a decrease in the tonnage of molybdenum sold.

Depreciation and amortization expense increased by 8.1% in 2009 from U.S.\$1.00 million in 2008. This increase was primarily the result of higher levels of investment that resulted in depreciable assets in 2009.

Gross profit. Gross profit amounted to U.S.\$4.69 billion in 2009, compared to U.S.\$5.58 billion in 2008. This decrease was attributable to the change in the average price received for CODELCO's product mix.

Selling and administrative expenses. Selling and administrative expenses amounted to U.S.\$309 million (2.5% of total sales) in 2009, compared to U.S.\$354 million (2.5% of total sales) in 2008. This decrease was primarily due to lower consulting fees, services and related costs.

Operating income. Operating income in 2009 amounted to U.S.\$4.38 billion, compared to U.S.\$5.23 billion in 2008. The 16.2% decrease was primarily due to a decrease in the average price received for CODELCO's product mix.

Non-operating income (expense). Non-operating (expense) increased to U.S.\$1.27 billion in 2009 from U.S.\$1.42 billion in 2008 mainly due to a lower export tax.

The following table sets forth the principal components of CODELCO's non-operating expense for the years ended December 31, 2008 and 2009 in accordance with Chilean GAAP:

	Year ended December 31,		% Change
	2008	2009	2008/2009
	(in millions of U.S.\$, in accordance with Chilean GAAP)		
Law 13.196 export tax	\$ (1,160)	\$ (960)	(17.2)%
Interest expense	(238)	(239)	0.4
Equity participation in income (losses) of:			
Sociedad Contractual Minera El Abra	169	145	(14.8)
Inversiones Tocopilla Ltda.....	46	51	10.9
Electroandina S.A.	0	26	—
Inversiones Mejillones S.A.	51	29	(43.1)
Copper Partners Investment	16	23	43.8
Sociedad Contractual Minera Purén	16	0	(100.0)
E-CL S.A. (formerly Edelnor S.A.).....	—	26	—
Other equity investments, net.....	(13)	22	(300.0)
Sale of assets	3	5	80.4
Foreign currency translation.....	229	(289)	(226.2)
Accrued expenses	(655)	(223)	(66.0)
Other	117	110	(8.9)
Total non-operating income (expense)	\$ (1,419)	\$ (1,274)	(10.2)%

CODELCO recorded export taxes of U.S.\$960 million and U.S.\$1.16 billion in 2009 and 2008, respectively, pursuant to Law 13.196. The U.S.\$200 million decrease in export taxes was due to the decrease in the average price received for CODELCO's product mix.

Non-operating expense included interest expense of approximately U.S.\$239 million in 2009 and U.S.\$238 million in 2008. CODELCO's net equity participation in related companies decreased to U.S.\$285 million in 2009 from U.S.\$322 million in 2008. This decrease was primarily the result of CODELCO's share in income reported by Sociedad Contractual Minera El Abra and Sociedad Contractual Minera Purén.

Income before income taxes and minority interest. Income before income taxes and minority interest amounted to U.S.\$3.11 billion in 2009 and U.S.\$3.81 billion in 2008. This 18.4% decrease in 2009 from 2008 was primarily due to the decrease in the average price received for CODELCO's product mix.

Taxes. In 2008 and 2009, CODELCO paid income taxes totaling 57%, comprising a corporate income tax of 17% and the 40% tax on the earnings of state-owned enterprises specified in Decree Law 2.398, Art. 2. CODELCO is also subject to a 5% mining tax on its operating income. 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. Taxes on income amounted to U.S.\$1.85 billion and U.S.\$2.25 billion for 2009 and 2008, respectively, reflecting CODELCO's income in these years.

Net income. CODELCO's net income amounted to U.S.\$1.26 billion in 2009 compared to U.S.\$1.57 billion in 2008. This 19.5% decrease in 2009 from 2008 was primarily due to lower 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 2010, funding available to CODELCO from these three sources totaled U.S.\$1.38 billion. 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 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. Furthermore, in June 2011, the Ministries of Mining and Finance approved the retention of approximately 20% of 2010 net income (U.S.\$376 million). Since 2007, the Government of Chile has authorized the retention of almost U.S.\$2.3 billion within CODELCO. CODELCO currently expects the Ministries of Mining and Finance to approve capitalization of approximately 30% of net income in each of 2012 and 2013, although there can be no assurance that such capitalization will be approved in those years or in future years. See "Business—Resources and Reserves."

Cash flow. For the six months ended June 30, 2011, net cash flow from operating activities decreased slightly to U.S.\$1.39 billion from U.S.\$1.41 billion for the same period in 2010. The flat net cash flow from operating activities resulted from increases in sales of goods and services during the period, which was due to an increase in copper prices, offset by increases in payments to suppliers, employees and taxes. See Note 26 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's net cash flow from operating activities pursuant to Chilean GAAP amounted to U.S.\$3.00 billion in 2009 compared to U.S.\$3.24 billion in 2008.

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 and 53.0% at June 30, 2011. CODELCO's total outstanding financial debt at December 31, 2010 and at June 30, 2011 was U.S.\$6.35 billion and U.S.\$6.35 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 (i) the prepayment in full by CODELCO on September 9, 2011 of a U.S.\$200 million loan from Banco Santander that would have matured in December 2011 and, on September 30, 2011, of a U.S.\$200 million loan from Export Development Canada that would have matured in March 2012, (ii) the offering of the notes and (iii) the application of proceeds as set forth under "Use of Proceeds," CODELCO's total financial debt as a percentage of its total capitalization would be 55.6%, and its total outstanding financial debt would be U.S.\$7.05 billion as of June 30, 2011.

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:

	Credit Amount	Interest Rate
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 2011, CODELCO entered into three 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. CODELCO does not expect to draw on these commitments during 2011.

	Credit Amount	Interest Rate	Availability Period
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

CODELCO enters into loan commitments with international banks from time to time and is currently negotiating an additional commitment, although there can be no assurance that CODELCO will obtain such financing or satisfactory terms therefor.

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.

CODELCO has short-term lines of credit for U.S.\$1.725 billion, of which U.S.\$150 million corresponds to direct guarantees for a stand-by letter of credit in favor of certain brokers. The Government of the Republic of Chile has authorized CODELCO's use of only U.S.\$1 billion of its 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 June 30, 2011, adjusted to give effect to the offering of the notes and the intended uses of proceeds thereof:

	Contractual Financial Obligations Outstanding						
	(in millions of U.S.\$)						
	Total	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years	Average Annual Interest Rate
Contractual Financial Obligations							
Long-term debt.....	\$ 1,623	\$ 425	\$ 136	\$ 136	\$ 925	\$ —	LIBOR + 0.54%
Notes payable.....	4,725	62	761	499	496	2,907	5.42%
Total.....	\$ 6,348	\$ 487	\$ 897	\$ 635	\$ 1,422	\$ 2,907	

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.\$34 million and U.S.\$846 million, respectively, as of December 31, 2010, and to U.S.\$22 million and U.S.\$808 million, respectively, as of June 30, 2011. See Notes 29 and 18 to the Unaudited Interim Consolidated Financial Statements and Notes 28 and 18 to the Year-end Consolidated Financial Statements. Additionally, CODELCO has deferred tax obligations of U.S. \$(285) million in 2011, U.S. \$(538) million in 2012, U.S. \$206 million payable in 2013, U.S. \$337 million payable in 2014 and U.S. \$1,286 million payable after 2015. CODELCO also has hedged approximately 250,800 metric tons of copper through 2013. 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 invest approximately U.S.\$17.5 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 includes:

- the development of the Mina Ministro Hales ore body (U.S.\$2.3 billion investment to produce an expected total average of 170,000 tons of copper per year and 300 tons of silver per year starting in 2013);
- the development of a new production level in the existing El Teniente underground mine (U.S.\$3.0 billion investment to maintain El Teniente's current annual copper production of approximately 400,000 tons of copper per year starting in 2018; environmental approvals were obtained in March 2011);
- the expansion of the existing Andina mine (U.S.\$6.3 billion investment to enable Andina to produce an expected average of an additional 350,000 tons of copper per year for a total expected average of approximately 600,000 tons of copper per year starting in 2019); and

- the gradual transfer of the Chuquicamata mine from an open pit mine to an underground operation (U.S.\$3.8 billion investment to enable Chuquicamata to produce an expected total average of 315,000 tons of copper per year starting in 2018; environmental approvals were obtained in September 2010).

In the first six months of 2011, CODELCO invested U.S.\$1,041 million in expansion and development projects, including in Mina Ministro Hales. 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 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. Furthermore, in June 2011, the Ministries of Mining and Finance approved the retention of approximately 20% of net profit of 2010 net income (U.S.\$376 million). Since 2007, the Government of Chile has authorized the retention of almost U.S.\$2.3 billion within CODELCO. CODELCO currently expects the Ministries of Mining and Finance to approve a 30% capitalization of net income in each of 2012 and 2013, but there can be no assurance that such capitalization will be approved. In addition, although an extraordinary contribution to the Company of U.S.\$1 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.\$306 million in these projects from 2005 to 2010, and plans to continue implementing its pollution abatement plan through additional capital investments of approximately U.S.\$150 million from 2011 through 2012. In 2010 CODELCO invested U.S.\$62 million in environmental projects, including the Carén tailings dam in the El Teniente Division and construction of a hydraulic barrier at the Ovejería tailings dam drainage system. In 2011, investments include a project to prevent pollution of natural water resources in the east dump area in the Andina Division and a project related to the treatment of liquid wastes in the El Teniente Division, among others.

The following table sets forth CODELCO's principal environmental investments in the years 2008-2010:

	Environmental Investments (in millions of U.S.\$)			Total
	2008	2009	2010	
Decontamination plans	—	0.3	—	0.3
Tailing dams	14.5	27.0	49.3	90.8
Solid wastes	2.3	1.9	1.1	5.3
Liquid wastes	34.2	13.4	10.9	58.5
Others	3.0	2.0	0.3	5.3
Total	53.9	44.6	61.6	160.1

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 2008, 2009 and 2010, CODELCO distributed U.S.\$6.74 billion, U.S.\$2.97 billion and U.S.\$5.99 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, 2010 and in the first six months of 2011:

Contributions to the Chilean Treasury (in millions of U.S.\$)				Six Months Ended June 30,
	Year Ended December 31,			2011
	2008	2009	2010	(unaudited)
Income tax payments	\$ 2,134	\$ 1,218	\$ 2,515	\$ 2,123
Export tax under Law 13.196.....	1,375	912	1,271	860
Subtotal	\$ 3,509	\$ 2,130	\$ 3,786	\$ 2,983
Net income distributions.....	3,232	836	2,206	663
Total	\$ 6,741	\$ 2,966	\$ 5,992	\$ 3,646

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 June 30, 2011, these hedges had a range of maturities through January 2013, covered approximately 250,800 metric tons of copper (not to exceed approximately 7% 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.\$1.66 billion. In the first six months of 2011, CODELCO's production hedging activities had a negative impact of U.S.\$658 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. In the first six months of 2010, CODELCO's production hedging activities had a negative impact of U.S.\$472 million on pre-tax income, and for the year 2010, had a negative impact of U.S.\$1,042 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 the first six months of 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 27 to the Year-end

Consolidated Financial Statements and Note 28 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 June 30, 2011, 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 June 30, 2011, approximately 26% of CODELCO's financial debt was at a variable interest rate and 74% had a fixed rate.

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 Year-end Consolidated Financial Statements and Section II to the Unaudited Interim Consolidated Financial Statements.

IFRS

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 management of the Company, 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 associations.

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. CODELCO 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.

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.

Chilean GAAP

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

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

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

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

Revenue Recognition. Because revenue is a key component of CODELCO's results of operations, and CODELCO derives revenue primarily from the sale of its own copper, CODELCO's revenue recognition practices for these sales are significant. The substantial majority of copper produced by CODELCO is sold under annual contracts; pricing under such contracts is based on prevailing monthly average copper prices quoted on the LME for a quotational period, generally the month following the scheduled month of shipment. Revenues under such contracts are recorded at provisional prices determined at the time of shipment. Usually an adjustment is then made after delivery of the copper, based on the pricing terms contained in the applicable contract. CODELCO carries out operations in futures markets, recording the final effects of these hedging transactions at the settlement date of the contracts.

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

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

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

CODELCO has also entered into cross-currency swaps contracts to hedge the risk of fluctuations in the UF to U.S. dollar exchange rate for its outstanding UF-denominated bonds. Also, CODELCO has entered into interest rate swaps to hedge contracts at variable interest rates for future obligations denominated in U.S. dollars. The results of the cross-currency swap contracts are recorded as of the date of maturity or settlement of the respective contracts, in accordance with the provisions of Technical Bulletin Number 57 of the Chilean Institute of Accountants. The results of the interest rate swaps are amortized over the term of the liabilities that have been hedged. CODELCO considers this accounting policy critical because of the impact of the fair value determination of its derivative instruments.

Severance Obligations. The liability associated with employee severance indemnities contained in current agreements and contracts is recorded on an undiscounted basis under the nominal value. In accordance with

Technical Bulletin Number 8 of the Chilean Institute of Accountants, CODELCO could have chosen to record this liability at its present value, which is considered the preferred method by that Technical Bulletin. The recording of the liability at present value would result in an increase in the CODELCO's equity and would impact the future operating results of CODELCO. CODELCO considers this accounting policy critical because of the impact on CODELCO's indemnity obligations and cash flow.

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

BUSINESS AND PROPERTIES

CODELCO is the world's largest copper producer and the largest company in Chile in terms of sales (U.S.\$16.07 billion in 2010). As of December 31, 2010, CODELCO's total assets and equity amounted to U.S.\$20.28 billion and U.S.\$4.53 billion, respectively, without including the value of CODELCO's mining concessions and ore deposits (as of June 30, 2011, such amounts were U.S.\$20.01 billion and U.S.\$5.63 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 2010, CODELCO had an estimated 11% share of the total world copper production, with production of approximately 1.76 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 21,677 metric tons.

CODELCO's main commercial product is Grade A cathode copper. In 2010, CODELCO derived 92% of its total sales from copper and 8% of its total sales from by-products of its copper production (for the six-month period ended June 30, 2011, 90% and 10%, respectively).

The following table sets forth certain production, cost and price information relating to CODELCO for the three-year period ended December 31, 2010 and the six-month period ended June 30, 2010 and June 30, 2011:

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,			Six months ended June 30,	
	2008	2009	2010	2010	2011
CODELCO's Copper Production	1,466	1,702	1,689	799	818
CODELCO's Cash Cost of Production	70.2	92.9	104.4	106.1	104.8
Average LME Price ⁽¹⁾	315.3	234.2	342.0	323.4	426.3

(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.\$17.5 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 includes:

- the development of the Mina Ministro Hales ore body (U.S.\$2.3 billion investment to produce an expected total average of 170,000 tons of copper per year and 300 tons of silver per year starting in 2013);
- the development of a new production level in the existing El Teniente underground mine (U.S.\$3.0 billion investment to maintain El Teniente's current annual copper production of approximately 400,000 tons of copper per year starting in 2018; environmental approvals were obtained in March 2011);

- the expansion of the existing Andina mine (U.S.\$6.3 billion investment to enable Andina to produce an expected average of an additional 350,000 tons of copper per year for a total expected average of approximately 600,000 tons of copper per year starting in 2019); and
- the gradual transfer of the Chuquicamata mine from an open pit mine to an underground operation (U.S.\$3.8 billion investment to enable Chuquicamata to produce an expected total average of 315,000 tons of copper per year starting in 2018; environmental approvals were obtained in September 2010).

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 2010, this division produced 528,377 metric tons of copper cathodes, or 31.3% of CODELCO’s total copper output (including CODELCO’s share of the El Abra deposit), with a cash cost of 106.6 cents per pound.
- 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 2010, this division produced 375,344 metric tons of copper cathodes, or 22.2% of CODELCO’s total copper output (including CODELCO’s share of the El Abra deposit), with a cash cost of 96.7 cents per pound.
- 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 Caltones smelter. In 2010, this division produced 403,616 metric tons of copper, or 23.9% of CODELCO’s total copper output (including CODELCO’s share of the El Abra deposit), with a cash cost of 85.75 cents per pound.
- 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 188,494 metric tons of copper in 2010, or 11.2% of CODELCO’s total copper output (including CODELCO’s share of the El Abra deposit), with a cash cost of 108.45 cents per pound.

- 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 76,184 metric tons of copper cathodes in 2010 from its own mine production, or 4.5% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit), with a cash cost of 149.3 cents per pound. 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 390,923 metric tons of copper in 2010. 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 produce an average of 170,000 tons of copper per year and 300 tons of silver per year, starting in 2013.

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 2010, this mine produced 117,052 metric tons of copper, or 6.9% of CODELCO's total copper output (including CODELCO's share of the El Abra deposit) with a cash cost of 129.9 cents per pound. The ore body is located in Chile's Second Region and contains proven and probable reserves of 526 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, Mina Ministro Hales Division and Salvador Division are now supervised by the vice president of Operations Norte. The Andina Division, El Teniente Division and Ventanas Division are now supervised by the vice president of Operations Centro Sur.

CODELCO's copper production, including CODELCO's share of the El Abra deposit, increased to 843,569 metric tons for the first six months of 2011 from 835,824 metric tons in the first six months of 2010. This increase was mainly due to an increase in production in the Andina and Radomiro Tomic Divisions as a result of investments made in the Andina Phase I Project and Radomiro Tomic Sulfides project. In addition, the increase in production in the Radomiro Tomic Division was also driven by a greater amount of ore mined and higher grade of ore. In the Andina Division, the higher amount of ore mined (48%) registered for the first six months of 2011 was offset by a lower ore grade.

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, 2010 and the six-month period ended June 30, 2011:

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

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
CODELCO Norte Division ⁽¹⁾	755	875	904	—
Chuquicamta Division.....	—	—	—	206
Radomiro Tomic Division	—	—	—	230
El Teniente Division.....	381	404	404	182
Andina Division.....	220	210	188	113
Salvador Division	43	65	76	35
Gabriela Mistral	68	148	117	52
El Abra ⁽²⁾	81	80	71	25
CODELCO Total Production.....	1,548	1,782	1,760	844
Chilean Private Sector⁽³⁾	3,780	3,612	3,659	1,727
Total Chilean Production	5,328	5,394	5,419	2,571

- (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, 2010 and the six-month period ended June 30, 2011:

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

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Cathodes	838	1,040	1,033	473
Fired Refined.....	99	88	100	35
Blister and anodes	280	305	294	135
Concentrates	250	269	262	175
Total	1,466	1,702	1,689	818

The following table sets forth CODELCO's capital expenditures budget for the period 2011-2015 by division, and for the executive offices, as approved by the Company's Board of Directors as part of the Company's Business and Development Plan, 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 2011-2015

Division	Investment⁽¹⁾
	(in millions of U.S.\$)
Chuquicamata	\$ 2,783
Radomiro Tomic.....	1,512
El Teniente	4,836
Andina	4,102
Salvador	911
Ventanas.....	340
Mina Ministro Hales	2,372
Gabriela Mistral	88
Executive offices	422
Total.....	\$ 17,365

(1) Includes maintenance expenditures.

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):

Division	Project	Status	Estimated Investment
			(in millions of U.S.\$)
Chuquicamata	Chuquicamata Underground (2013-2018)	Feasibility	\$ 3,828
El Teniente	New mining level (2011-2018)	Execution ⁽¹⁾	3,039
Andina	Expansion Phase II (2013-2019)	Feasibility	6,270
Salvador	San Antonio (2012-2014)	Feasibility	328
Mina Ministro Hales	Mina Ministro Hales ore body (2010-2013)	Execution ⁽¹⁾	2,282
Total Investment			\$ 15,747

(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 1.43 million metric tons of 33.2% copper concentrate per year. Chuquicamata performs all stages of copper production from the mining process through cathode production.

As of June 30, 2011, the Chuquicamata Division employed 6,432 persons and produced 206,085 metric tons of copper at a cash cost of 90.9 cents per pound and a total cash cost of U.S.\$411 million.

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 June 30, 2011, the Radomiro Tomic Division employed 980 persons and produced 230,033 metric tons of copper at a cash cost of 96.5 cents per pound and a total cash cost of U.S.\$484 million.

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

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Copper Production CODELCO Norte.....	755	875	904	—
Copper Production Chuquicamata.....	—	—	—	206
Copper Production Radomiro Tomic.....	—	—	—	230
Cash Cost CODELCO Norte	67.9	93.2	102.5	—
Cash Cost Chuquicamata.....	—	—	—	90.9
Cash Cost Radomiro Tomic	—	—	—	96.5

(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 403,616 metric tons in 2010, 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 31,000 metric tons of ore per day. As of June 30, 2011, the El Teniente Division employed 4,917 persons and produced 181,605 metric tons of copper at a cash cost of 82.0 cents per pound and a total cash cost of U.S.\$327 million.

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,			Six months ended June 30,
	2008	2009	2010	2011
Copper Production	381	404	404	182
Cash Cost	54.7	83.3	85.8	82.0

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 1.3 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 2010, the Andina Division produced 188,493 metric tons of copper. As of June 30, 2011, the Andina Division employed 1,570 persons and produced 113,077 metric tons of copper at a cash cost of 120.6 cents per pound and a total cash cost of U.S.\$290 million.

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 calcopyrite. 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 for a price which is determined by a prescribed formula based on a multiple of historic earnings. Anglo Sur's reported consolidated profit was U.S.\$406.3 million for the six months ended June 30, 2011 and U.S.\$900.3 million for the year ended December 31, 2010. Anglo Sur reported that in 2010, Los Bronces mine produced over 221,000 tons of fine copper and more than 1,900 tons of molybdenum, El Soldado mine produced more than 40,000 tons of fine copper and the Chagres Smelter produced approximately 138,000 tons of fine copper. CODELCO has the right to exercise the option only during the month of January in every third year, beginning in 2009 through 2027. The next exercise period for the option begins on January 1, 2012.

On October 12, 2011, CODELCO entered into an agreement with Mitsui pursuant to which Mitsui will make available to CODELCO's wholly-owned investment subsidiary, Acrux, a short-term bridge financing facility of up to U.S.\$6.75 billion, guaranteed by CODELCO and subsidiaries of Acrux, to fund the purchase of Anglo Sur equity, should CODELCO elect to exercise its 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 comprising an indirect 50% stake in the Anglo Sur interest acquired at a pre-determined value for the 49% interest in Anglo Sur of approximately U.S.\$9.76 billion. The balance of the bridge loan will 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 have 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. Although CODELCO currently intends to exercise its call option to purchase the equity stake in Anglo Sur, there can be no assurance that CODELCO will choose to do so or elect to repay financing with equity pursuant to the terms of its agreement with Mitsui.

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

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Copper Production	220	210	188	113
Cash Cost	70.7	84.9	108.5	120.6

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 2019.

Salvador Division

Mining Operations. Salvador is the smallest of the CODELCO divisions. In 2010, it produced 76,184 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 June 30, 2011, Salvador employed 1,515 persons and produced 34,874 metric tons of fine copper at a cash cost of 165.8 cents per pound and a total cash cost of U.S.\$127 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.

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

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Copper Production	43	65	76	35
Cash Cost	150.7	136.7	149.3	165.8

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 400,000 metric tons of concentrate. Ventanas refined 390,923 metric tons of copper in 2010. 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. 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 300 tons of silver per year starting in 2013 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 2010, SCM El Abra produced 145,167 metric tons of fine copper at a cash cost of 147.7 cents per pound. For the six months ended June 30, 2011, the production was 51,905 metric tons of fine copper with a cash cost of 235 cents per pound.

As of June 30, 2011, the project had delivered total dividends of U.S.\$2,430 million and CODELCO had received U.S.\$1,190.7 million in dividends. As of June 30, 2011, CODELCO's equity participation in SCM El Abra totaled U.S.\$700.8 million.

- *SCM Purén*: CODELCO (35%) owns a company with Compañía Mantos de Oro (65%), a subsidiary of Kinross Gold Corp., at Purén. The company, SCM Purén, is comprised of an open pit mine located in the Atacama Region, east of the city of Copiapó. The company began the exploitation of the gold and silver ore bodies in November 2005, having produced over 780,000 ounces of equivalent gold to date. Currently, the treatment plant is being fed only from mineral stock while the next stage is being developed. The company has delivered U.S.\$275 million in dividends since 2005, of which U.S.\$96.25 million corresponds to CODELCO.
- *Agua de la Falda S.A.*: CODELCO (43%) owns a company with Minera Meridian Limitada (57%), a subsidiary of Yamana Gold Inc. The company, Agua de la Falda S.A. was created to explore and exploit the Agua de la Falda deposit, which was in production until 2005. Currently, the company is completing a feasibility study for the Jerónimo gold deposit, containing resources (indicated and inferred) of over 2 million ounces of gold.
- *Inca de Oro S.A.*: CODELCO (34%) owns a company with PanAust Minera Limited (66%). Inca de Oro S.A. was created in 2009 to explore, exploit and process mineral resources in Chile and abroad. Inca de Oro is expected to produce 45,000 tons of fine copper over a ten-year period.
- *Deutsche Giessradht GmbH*: CODELCO (40%) owns a company with Nordeutsche Affinerie Group (60%), Deutsche Giessradht 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.

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 2010-2011. For 2012, sales are expected to decrease slightly due to the termination by Minera Escondida Ltd. of its supply contract.

As of June 30, 2011, 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 with the Japanese company JX-Nippon Mining and Metals Company (33.33%), the joint venture BioSigma S.A. that develops processes and technology in the fields of genomics, proteomics and bioinformatics 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 copper sulfide ores. In 2010, 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.
- *MI Robotic Solutions S.A.:* In April 2007, CODELCO formed an associated company 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 a company, 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 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.
- *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 June 30, 2011, 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 September 30, 2011:

Major Mining and Exploration Agreements (As of September 30, 2011)		
Mining Co-participation	Partner	Type
SCM El Abra ⁽¹⁾	Cyprus El Abra Corporation (USA)	Copper
Agua de la Falda S.A. ⁽²⁾	Meridian Gold (USA)	Gold
SCM Purén	Mantos de Oro (Chile)	Gold/Silver
Inca de Oro S.A.	PanAust (Australia)	Copper
Exploration Agreement Projects		
Chile		
Pasca	Rio Tinto (England)	Copper
Nueva Quebrada Valiente	Mantos de Oro (Chile)	Gold/Silver
Anillo	Fortune Valley Resources (Chile)	Gold
Puntilla Galenosa	Pucobre (Chile)	Copper
Los Lobos	Hot Chili (Australia)	Uranium, Copper
Cumbres	Antofagasta Minerals SA (England)	Copper
Abroad		
Curianopolis/Liberdade	Pan Brazilian (Brazil)	Copper/Iron
Boa Fe / Bom Jardim/Bacajá	X Strata (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.

(2) In September 2006, CODELCO acquired 56.7% of Agua de la Falda from Barrick, becoming the sole owner of the company; CODELCO later entered into a 43%/57% association with Meridian Gold Inc.

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*.

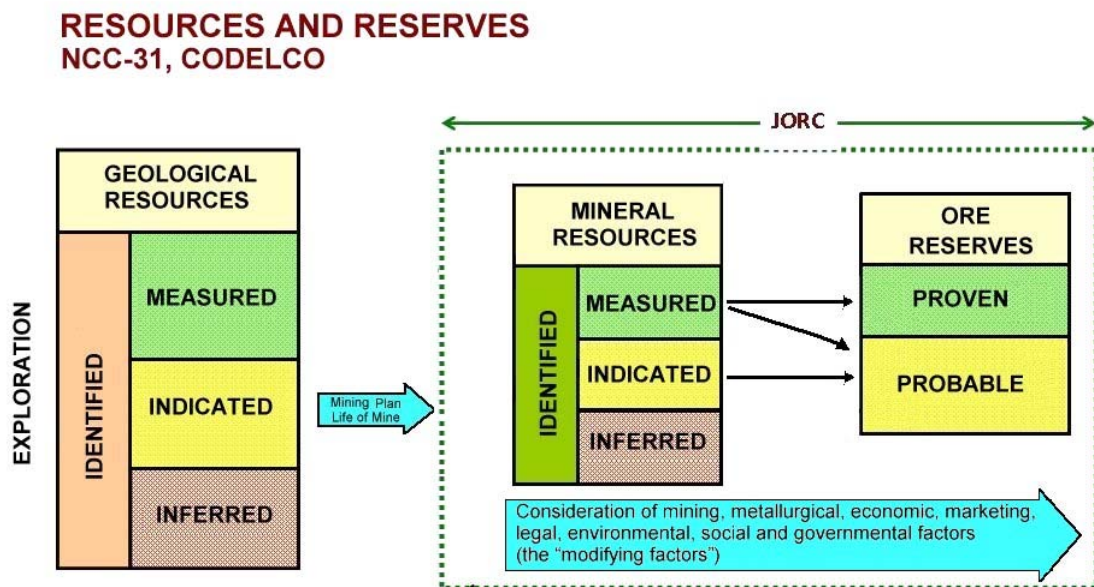
Mineral Resources

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 57.1 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 124 million metric fine tons of copper, and its identified geological resources include 323 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, 2010:

	Identified Geological Resources ⁽¹⁾			Identified Mineral Resources ⁽²⁾			Ore Reserves		
	Ore ⁽³⁾	Grade copper	Fine copper ⁽³⁾	Ore ⁽³⁾	Grade copper	Fine copper ⁽³⁾	Ore ⁽³⁾	Grade copper	Fine copper ⁽³⁾
Radomiro Tomic	7,247	0.37%	26.7	2,584	0.47%	12.3	1,795	0.50%	9.0
Chuquicamata	10,497	0.55%	57.3	3,277	0.57%	18.7	888	0.87%	7.8
Mina Ministro Hales ..	1,339	0.94%	12.6	902	0.91%	8.2	258	0.97%	2.5
Salvador	2,715	0.44%	12.1	341	0.53%	1.8	212	0.53%	1.1
Andina	19,162	0.59%	113.7	5,888	0.78%	45.8	2,555	0.77%	19.8
El Teniente	16,756	0.56%	93.5	4,176	0.84%	35.1	1,494	1.00%	14.9
Gabriela Mistral	1,191	0.36%	4.3	553	0.39%	2.2	526	0.39%	2.1
Exploration/Business and Subsidiaries	1,068	0.30%	3.3	—	—	—	—	—	—
Total.....	59,974	0.54%	323.4	17,721	0.70%	124.1	7,728	0.74%	57.1

(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, 2010:

	World (in millions of tons)	CODELCO (in millions of tons)	CODELCO's share (%)
Geological Resources	3,000 ⁽¹⁾	323.4	11
Proven and Probable Reserves	630 ⁽¹⁾	57.1	9

(1) As defined by the U.S. Geological Survey (January 2011).

Each year, the Board of Directors must approve a long-term Business and Development Plan (*Plan de Negocios y Desarrollo*) ("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 2011 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 2011 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 2011 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.

- *La Americana*: Located in the Andina district, La Americana is a new ore body with potential total resources of more than 5.4 million metric tons of fine copper. It is the first discovery near a CODELCO mine operation, located in the high mountains in the center-south of Chile, south of the Sur-Sur mine. CODELCO estimates that the deposit contains total resources of 868 million metric tons of copper ore with an average grade of 0.62% copper and 0.02% molybdenum, for a cut-off grade of 0.2% copper.
- *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 2010, CODELCO's annual production of copper was 1.69 million metric tons, or 1.76 million metric tons including El Abra. CODELCO continues to focus on controlling and limiting production cost increases. In 2010 CODELCO's total costs and expenses were 197.6 cents per pound compared to 157.8 cents per pound in 2009. This increase was mainly driven by the costs of the early retirement plans and workforce reduction programs, and the new terms of the various collective bargaining agreements entered into during the relevant period. In addition, the increase was closely related to Chilean economic conditions such as inflation and the appreciation of the Chilean peso against the U.S. dollar. For the first six months of 2011, CODELCO's total costs and expenses were 210.9 cents per pound compared to 178.4 cents per pound for the same period in 2010. This increase is primarily attributable to the appreciation of the Chilean peso against the U.S. dollar, the increase of CODELCO's input prices, the implementation effects of the 2010 early retirement plans and workforce reduction programs, and new collective bargaining agreements signed during the relevant period, especially the collective bargaining agreement related to El Teniente. The increase in total cost was partially offset by an increase in the amount of ore mined. For the first six months of 2011, CODELCO's total costs and expenses were U.S.\$3,804 million. In 2010, CODELCO's cash cost of production was 104.4 cents per pound, as compared with 92.9 cents per pound in 2009 and 70.2 cents per pound in 2008. During the period of 2008 to 2009, CODELCO's cash cost increased due to a lower by-product credit, mainly as a result of a 61.3% reduction in molybdenum prices. In 2010 CODELCO's cash cost continued increasing 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. For the first six months of 2011, CODELCO's cash cost of production was 104.8 cents per pound, compared to 106.1 cents per pound in the first six months of 2010. This decrease was primarily due to an increase in the average price of molybdenum and higher volumes sold of anodic slimes and other by-products.

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 north 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 will begin in 2011 for Mina Ministro Hales and 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.

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 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, 2010 and the six months ended June 30, 2011:

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

	Year ended December 31,			Six months ended June 30,
	2008	2009	2010	2011
Cathodes	1,538	1,619	1,599	736
Fired Refined	98	88	100	39
Blister	131	127	121	33
Concentrates	160	184	163	90
Total	1,927	2,017	1,982	898

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 commodity exchanges or on a spot sale basis to merchants and consumers.

CODELCO applies a premium policy in sales of its Grade A cathodes. Premium amounts for different markets are adjusted in accordance with prevailing ocean freight costs and keyed to the standard terms of payment in different markets, as well as to the individual characteristics and competitive conditions of those markets. For 2010, the base premium for CIF (shipments of copper including shipping and insurance costs) to Rotterdam was set at U.S.\$80 per metric ton, as compared to the premium of U.S.\$80 per metric ton established in 2009 and U.S.\$115 in 2008. The estimated base premium for 2011 is U.S.\$98 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 plus or minus certain premiums.

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

CODELCO hedges certain future copper delivery commitments and production in order to manage the risk associated with copper price volatility. As of June 30, 2011, these hedges had a range of maturities through January 2013, covered approximately 250,800 metric tons of copper (not to exceed approximately 7% 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.\$1.66 billion. In the first six months of 2011, CODELCO’s production hedging activities had a negative impact of U.S.\$658 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,” Note 27 to the Year-end Consolidated Financial Statements and Note 28 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. CODELCO’s sales of copper in 2010 were geographically diversified with approximately 59% of sales made to Asia, including 43% to China, 20% to Europe,

20% to North America and South America, and the remainder to Oceania. CODELCO's top ten customers purchased approximately 26% of its total copper sales volume in 2010.

The following table shows CODELCO's copper sales for the three years ended December 31, 2010 to CODELCO's top export markets and in Chile:

	2008	2009	2010
China	525	943	849
South Korea	211	198	185
United States	246	151	131
Chile	94	139	133
Germany	140	109	135
France	171	115	91
Brazil	83	69	68
Mexico	71	50	54
Italy	120	47	63
Taiwan	64	37	64
Turkey	30	31	33
Greece	—	24	35
Bulgaria	27	20	18
Japan	46	20	29
Spain	52	15	9
Others	47	49	84
Total	1,927	2,017	1,982

The decrease in sales to most of CODELCO's export markets during 2010 as compared to 2009 was primarily due to the global economic recession. 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, 2010, CODELCO employed 19,347 employees, approximately 94.6% 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. During 2010, CODELCO was involved in negotiating seven collective bargaining agreements—two in the Chuquicamata Division, one in the Radomiro Tomic Division, three in the Salvador Division and one in the El Teniente Division—and no labor conflict arose during any of these negotiations. During 2011, four collective bargaining agreements were negotiated all in advance of the termination of the contracts. The only collective bargaining agreement with a near-term expiration is the agreement pertaining to approximately 624 supervisors at the Radomiro Tomic and Chuquicamata Divisions, which expires on November 30, 2011. Negotiations began in October 2011.

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 19,806 persons during 2010, an increase of 0.50% as compared with 2009. CODELCO employed an average work force of 17,910 persons during the first half of 2011. CODELCO spent U.S.\$13 million during 2010 on staff development and training. 6,242 training sessions were held, with many employees attending multiple courses, for a total of 37,492 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.

There are currently 26,373 employees of regular independent operating contractors and 12,592 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 June 30, 2011, an aggregate of U.S.\$258 million in principal amount of these loans was outstanding.

Number of Employees by Division and Gabriela Mistral Mine⁽¹⁾

Division	January-December		Variation (%) 2010/2009	January-June
	2009	2010		2011
Chuquicamata	7,441	7,403	(0.51)%	6,533
Radomiro Tomic	790	823	4.18%	952
Mina Ministro Hales	0	1	—	193
Salvador	1,544	1,524	(1.30)%	1,524
Andina	1,547	1,561	0.90%	1,573
El Teniente	5,155	5,177	0.43%	4,971
Gabriela Mistral	373	389	4.29%	388
Head office	928	1,017	9.59%	524
Ventanas	1,099	1,096	(0.27) %	974
Share services	831	815	(1.93)%	674
Total	19,708	19,806	0.50%	18,306

⁽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. A final resolution is pending in this matter.

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 and rejected the April 2004 claim of the other 24 workers. CODELCO has paid the judgment amount to 13 workers and is currently awaiting a court ruling on the amount owed to the remaining 10 workers who have requested a review of the calculation formula used for the final liquidated amount.

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 for alleged 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.

CODELCO believes that it has meritorious defenses to the claims against it and, accordingly, is defending vigorously 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:

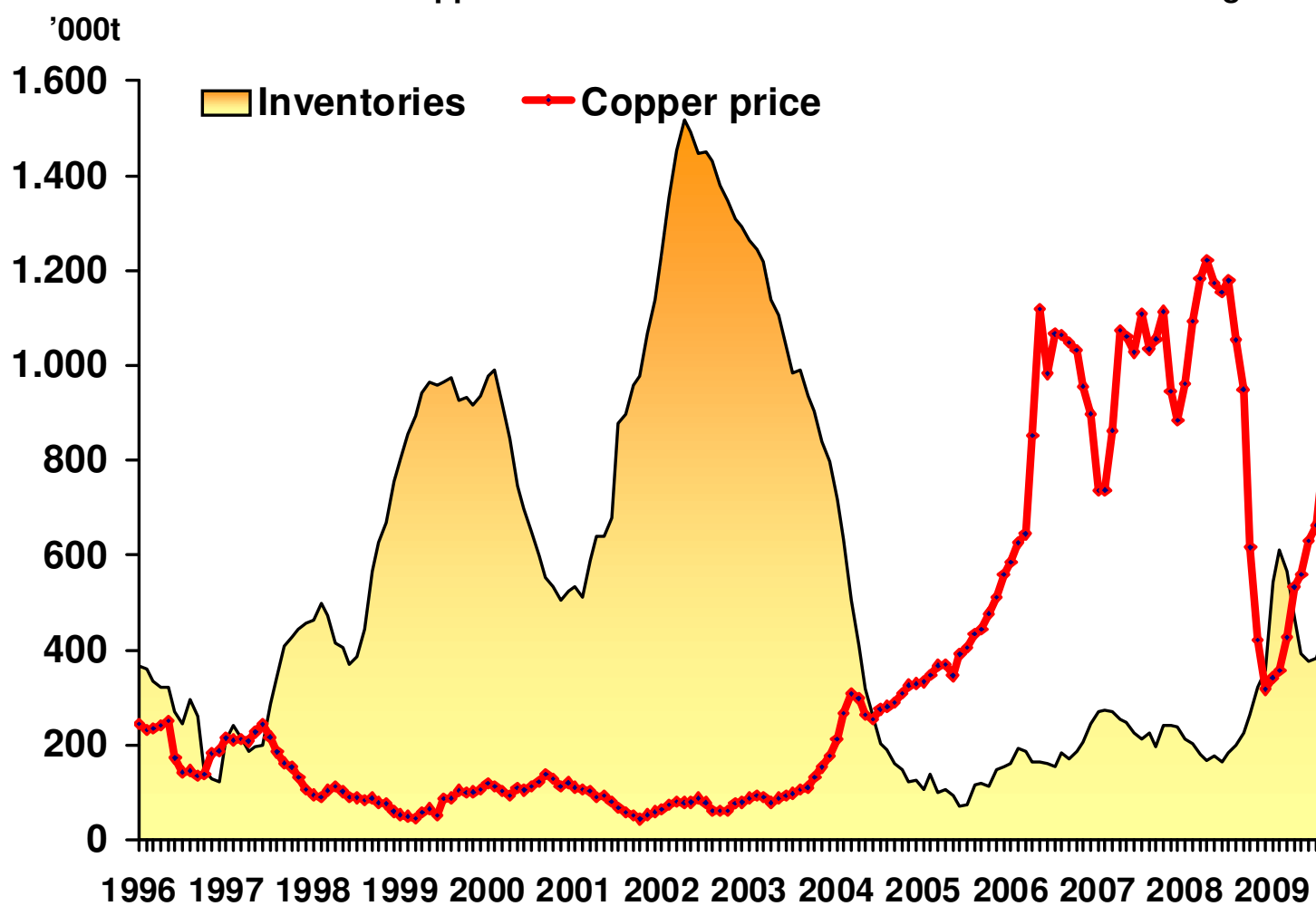
Average Copper Price (U.S.¢/Pound)	
2006	
First Quarter	224.1
Second Quarter.....	327.1
Third Quarter.....	347.9
Fourth Quarter	320.6
2007	
First Quarter	269.1
Second Quarter.....	346.6
Third Quarter.....	349.8
Fourth Quarter	326.0
2008	
First Quarter	353.6
Second Quarter.....	383.0
Third Quarter.....	348.4
Fourth Quarter	177.1
2009	
First Quarter	155.5
Second Quarter.....	211.5
Third Quarter.....	265.8
Fourth Quarter	301.6
2010	
First Quarter	328.1
Second Quarter.....	318.8
Third Quarter.....	328.5
Fourth Quarter	391.7
2011	
First Quarter	437.8
Second Quarter.....	415.1
Third Quarter.....	407.9

Source: London Metal Exchange, Monthly Average Settlement.

On October 26, 2011 the closing price for refined copper on the LME was 350.2 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 July 2011:

Copper Prices and Inventories on Commodities Exchanges



Source: Chilean Copper Commission. Inventories include LME, COMEX and Shanghai stocks. LME copper monthly average price

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.”

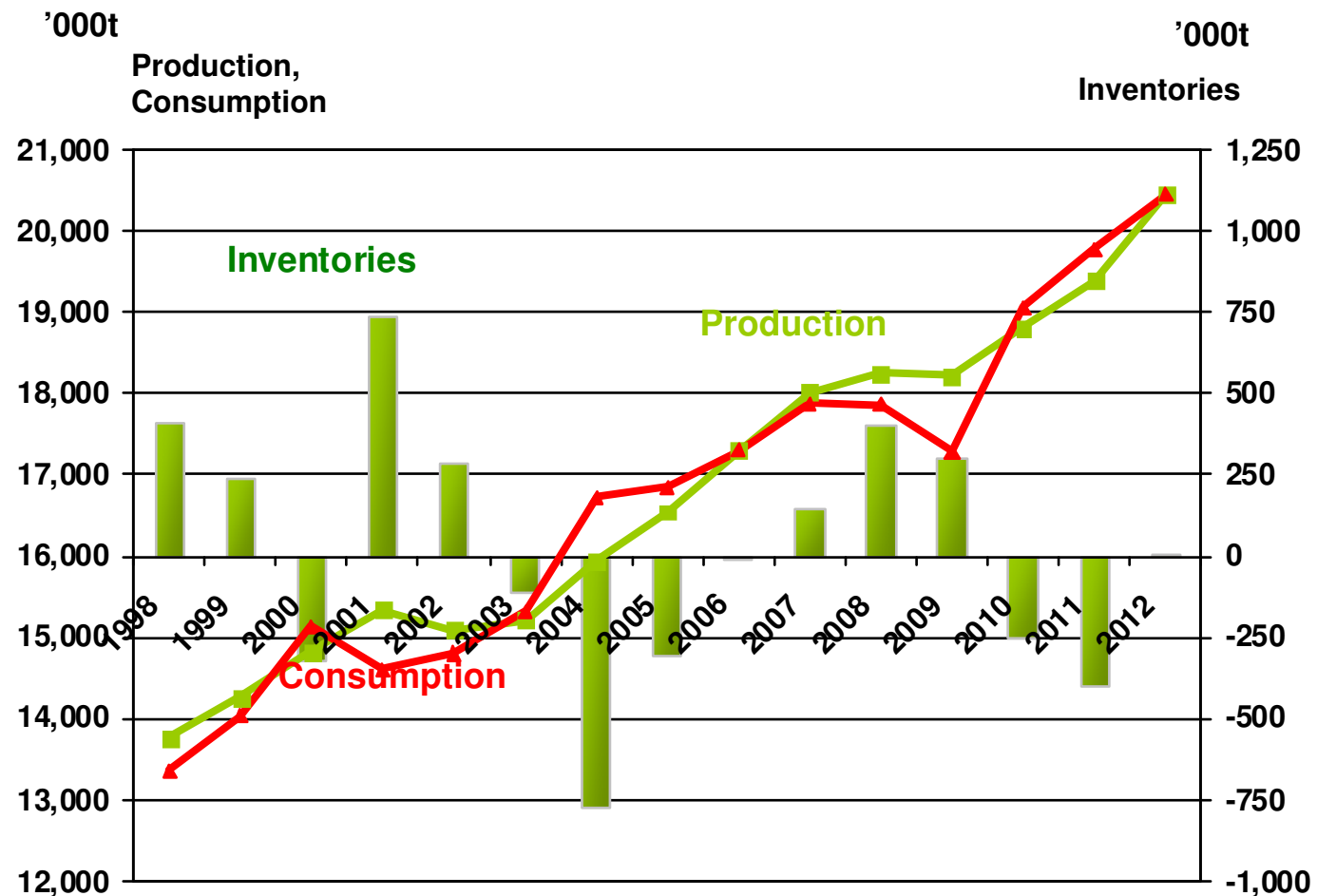
Opportunities for Copper

Since 2005, copper prices have experienced significant volatility. LME copper prices averaged 342.0 cents per pound in 2010, as compared to 234.2 cents per pound in 2009 and 315.3 cents per pound in 2008. In the first six months of 2011, copper prices averaged 426.4 cents per pound. With the onset of the global economic crisis, copper prices, which had averaged 362 cents per pound in the first nine months of 2008, fell sharply to an average of 177 cents per pound in the last quarter of 2008. Copper prices during 2009 to 2011 trended upward, reflecting increased consumption rates from China. Copper demand remains very strong, particularly in Asia, keeping copper prices at high levels despite economic conditions in Europe and the United States. 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 2010 increased by 10.1%, including a 14.0% demand increase from China and 9.7% increase from Western Europe. China’s consumption was extremely robust in 2009 and 2010 and, 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 1998 through 2012 (estimated) (in thousands of metric tons):

Production, Consumption and Refined Copper Inventories Worldwide



Source: CODELCO

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, 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 Business and Development Plan (*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 2010, CODELCO invested U.S.\$374 million in these projects, and plans to continue implementing pollution abatement plans through additional capital investments amounting to U.S.\$128.2 million from 2011 through 2012. In addition, from 2011 through 2012, 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 2010, CODELCO allocated U.S.\$61.6 million to environmental projects, including the enlargement of the Carén tailings dam in the El Teniente Division and the construction of a hydraulic barrier at the Ovejería tailings dam drainage system in 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 (PM₁₀) and sulfur dioxide (SO₂). These areas are affected by the corresponding pollution abatement plans. There are also pollution abatement plans for PM₁₀ and SO₂ for the area surrounding the Chuquicamata smelter. A new saturated area was declared in 2008 that includes Chuquicamata and the nearby town of Calama, 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_{2.5}, was enacted by the Ministry of the Environment in May 2011. This standard will be effective beginning 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), SO₂, PM₁₀ 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 force 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, which includes health, safety and environmental requirements along with mandatory provisions that require financial guarantees, was approved by the Chilean Congress in July 2011. It is expected that this law will be enacted during 2011. If it becomes applicable, CODELCO, will be required to obtain the environmental approval of the closure plans of all its mines before September 2014, and would also need to make the necessary financial provisions beginning in May 2015. For mine closure purposes, CODELCO currently provides for the costs for tailings disposal as part of the total costs associated with closing its mines. CODELCO had total provisions amounting to U.S.\$887 million for closure expenses, including potential new governmental regulations, at December 31, 2010, and U.S.\$1,031 million at June 30, 2011. CODELCO is currently unable to estimate the costs of complying with any new regulations regarding mine closure should they become effective, 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 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. 1,084 dated August 19, 2011.

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. 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 Business and Development Plan 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. Diego Hernández Cabrera was appointed Chief Executive Officer of CODELCO in May 2010.

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. The director position selected 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) is vacant due to lack of consensus between them on a single list.

Directors and Executive Officers

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

<u>Name</u>	<u>Position</u>
Directors	
Gerardo Jofré Miranda.....	Chairman ⁽¹⁾⁽⁵⁾
Marcos Büchi Buc	Director ⁽¹⁾⁽⁶⁾
Jorge Bande Bruck.....	Director ⁽¹⁾⁽⁵⁾
Marcos Lima Aravena	Director ⁽¹⁾⁽⁶⁾

Andrés Tagle Domínguez.....	Director ⁽²⁾⁽⁷⁾
Juan Luis Ossa Bulnes.....	Director ⁽²⁾⁽⁷⁾
Fernando Porcile Valenzuela.....	Director ⁽²⁾⁽⁷⁾
Raimundo Espinoza Concha	Director ⁽³⁾⁽⁸⁾
Vacant Director Position	Director ⁽⁴⁾

Executive Officers

Diego Hernández Cabrera	Chief Executive Officer and President
Thomas Keller Lippold.....	Chief Financial Officer
Sebastián Conde Donoso.....	Vice President Human Development and Investment
Isaac Aránguiz Miranda	Vice President Mine Development and Sustainability
Rodrigo Toro Ugarte.....	Vice President Sales
Sergio Fuentes Sepúlveda	Vice President of Projects
José Antonio Álvarez López	Executive Vice President of Finance
Patricio Enei Villagra	General Counsel
Ignacio Muñoz Reyes.....	General Auditor
Luis Iván Farías Lasante.....	Vice President – Operations Norte
Jorge Gómez Díaz.....	Vice President – Operations Centro Sur
Julio Aranis Vargas.....	General Manager – Chuquicamata Division
Juan Carlos Avendaño Díaz	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
Armando Olavarría Couchot.....	General Manager – Andina Division
Jaime Rojas Espinoza	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 2013.

(6) Term expires May 2015.

(7) Term expires May 2014.

(8) Term expires May 2012.

There is no family relationship between any director or executive officer and any other director or executive officer. The mailing address for the executives and directors previously listed is Huérfanos 1270, 6th floor, Santiago, Chile. No executive holds a 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 Gerardo Jofré Miranda (Chair), Juan Luis Ossa Bulnes (Vice Chair) and Andrés Tagle Domínguez. 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 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 November 3, 2011 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 May 3 and November 3 of each year, commencing on May 3, 2012, 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 April 18 and October 18, 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 notes will mature on November 3, 2021. The notes will not be redeemable prior to maturity except in the event of certain developments affecting taxation at the price equal to the outstanding principal amount thereof, together with any Additional Amounts and accrued interest to the redemption date. 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 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 initially sold to qualified institutional buyers (or “QIBs”), as defined in Rule 144A under the Securities Act, will be evidenced by one or more permanent Rule 144A Global Notes (each a “144A Global Note”), which will be deposited with the Fiscal Agent, as custodian for DTC, and registered in the name of Cede & Co., as DTC’s nominee.

The notes initially sold to persons who acquire such notes in compliance with Regulation S under the Securities Act will be evidenced by one or more permanent Regulation S Global Notes (each a “Regulation S Global Note” and, together with the 144A Global Notes, the “Global Notes”), which will be deposited with 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, settlor, 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.

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 Mitsubishi UFJ Securities (USA), Inc., 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>	Principal Amount of Notes
HSBC Securities (USA) Inc.	U.S.\$ 575,000,000
Mitsubishi UFJ Securities (USA), Inc.	575,000,000
Total.....	<u>U.S.\$ 1,150,000,000</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.

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 Mitsubishi UFJ Securities (USA), Inc., 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 Mitsubishi UFJ Securities (USA), Inc., 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 November 3, 2011 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 Canada

This offering memorandum is not, and under no circumstances is to be construed as, an advertisement or a public offering of the notes in Canada or any province or territory thereof. This offering memorandum is not a qualified prospectus for purposes of applicable Canadian provincial securities laws. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this offering memorandum or the merits of these securities, and any representation to the contrary is an offence. Any offer or sale of the notes in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable provincial securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made.

Information in this document has not been prepared with regard to matters that may be of particular concern to Canadian purchasers and, accordingly, should be read with this in mind. Prospective purchasers are advised to consult their own advisors about their individual circumstances.

The notes are not denominated in Canadian dollars. The value of the notes to a Canadian investor, therefore, will fluctuate with changes in the exchange rate between the Canadian dollar and the currency of the securities.

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 DECEMBER 13, 2011 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 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 year-end consolidated financial statements of CODELCO as of December 31, 2008 and 2009 and for each of the two years in the period ended December 31, 2009, prepared in accordance with Chilean GAAP, except for the subsidiaries CODELCO Kupferhandel GmbH and its subsidiary, Chile Copper Ltd. and its subsidiary and Inca de Oro S.A., 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 2A S.A., Inversiones Tocopilla 2B S.A., Inversiones Mejillones 1 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 Company has appointed Ernst & Young Servicios Profesionales de Auditoria y Asesorias Limitada as the Company's independent auditors for the fiscal year ending December 31, 2011.

GLOSSARY OF CERTAIN MINING TERMS

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

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

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

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

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

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

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

Concentrator: A plant where concentration takes place.

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

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

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

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

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

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

Demonstrated Resources: Resources that are both proven and probable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mineral Deposit or Mineralized Material: A mineralized underground body that has been probed by a sufficient number of closely-spaced drill holes and/or underground sampling measurements to support an estimate of sufficient tonnage and ore grade to warrant further exploration or development. Mineral deposits or mineralized materials do not qualify as commercially minable ore reserves (*i.e.*, probable reserves or proven reserves), as prescribed under standards of the U.S. Bureau of Mines Circular 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 porphyritic rocks with economic mineralization.

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

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

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

Refining: The purification of crude metallic substances.

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

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

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

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

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

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

Subvertical: Amount of waste material removed during mining per 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. 1.084 dated August 19, 2011.

CODELCO's Board of Directors authorized the issuance of the notes in session No. 08/2011 on August 25, 2011 by means of Agreement No. 39/2011. CODELCO has obtained all other consents and authorizations necessary under Chilean law for the issuance of the notes.

Litigation

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

Clearing

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

	<u>CUSIP</u>	<u>ISIN Number</u>	<u>Common Code</u>
Rule 144A Global Note.....	21987BAP3	US21987BAP31	070164990
Regulation S Global Note	P3143NAN4	USP3143NAN41	070164981

Listing

CODELCO has applied 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 7; 703; Chapter 3, Section 2, Article 19 of the Rules and Regulations of the Luxembourg Stock Exchange, the notes shall be freely transferable.

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;
- 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.

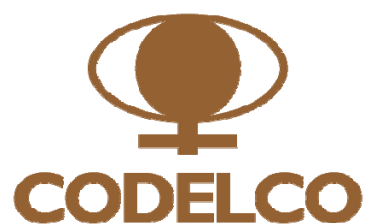
The notes have been issued in registered, book-entry form through the facilities of DTC, and will be issued in certificated form only under the limited circumstances described in this offering memorandum.

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 Statements

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 June 30, 2011
(Translation of interim consolidated financial statements originally issued in
Spanish – see Note I.2)**

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(January - June 2011)

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

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

As of June 30, 2011 and December 31, 2010

(In thousands of US dollars - ThUS\$)

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

	Notes	6/30/2011	12/31/2010
Assets			
Current Assets			
Cash and cash equivalents	1	1,369,552	874,039
Other current financial assets	12	177,462	195,138
Other currents non-financial assets		27,637	33,607
Trade and other current receivables	2	1,738,379	2,714,006
Accounts receivables due from related companies, current	3	90,402	157,954
Inventories	4	2,093,242	1,782,506
Current tax assets	6.a	186,064	194,226
Total current assets		5,682,738	5,951,476
Non-current assets			
Other non-current financial assets	12	190,658	181,125
Other non-current non-financial assets	11	207,928	203,505
Non-current receivables	2	192,608	198,785
Accounts receivables due from related companies, non-current	3	80,839	104,896
Investment accounted for using the equity method	8	794,035	1,260,744
Intangible assets other than goodwill	10	16,385	21,556
Property, Plant and Equipment, net	7	12,839,686	12,351,430
Investment property		5,494	5,494
Total non-current assets		14,327,633	14,327,565
TOTAL ASSETS		20,010,371	20,279,041

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 June 30, 2011 and December 31, 2010

(In thousands of US dollars - ThUS\$)

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

	Notes	6/30/2011	12/31/2010
Liabilities and Equity			
Liabilities			
Current liabilities			
Other current financial liabilities	13	1,703,930	1,918,908
Trade and other current payables	16	1,299,127	1,803,276
Accounts payables to related companies, current	3	101,457	171,565
Other short-term provisions	17	155,520	296,713
Current tax liabilities	6.b	331,892	307,952
Current employee benefit accruals	17	401,551	689,075
Other current non- financial liabilities		55,826	56,338
Total current liabilities other than liabilities included in disposal groups classified as held for sale		4,049,393	5,243,827
Liabilities included in disposal groups classified as held for sale		-	-
Total current liabilities		4,049,393	5,243,827
Non-current liabilities			
Other non-current financial liabilities	13	6,562,137	7,189,482
Other non-current payables		305	2,658
Accounts payables to related companies, non-current	3	326,977	349,204
Other long-term provisions and accrued expenses	17	1,238,528	1,057,472
Deferred tax liabilities	5	1,005,673	711,382
Non-current employee benefit accruals	17	1,194,104	1,191,112
Other non-current non-financial liabilities		3,221	2,692
Total non-current liabilities		10,330,945	10,504,002
Total liabilities		14,380,338	15,747,829
Equity			
Issued Capital		2,524,423	2,524,423
Retained earnings		1,619,404	1,329,392
Other Reserves	19	1,483,734	675,403
Equity attributable to owners of the parent		5,627,561	4,529,218
Non-controlling interests	19	2,472	1,994
Total equity		5,630,033	4,531,212
TOTAL LIABILITIES AND EQUITY		20,010,371	20,279,041

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

CORPORACION NACIONAL DEL COBRE DE CHILE
INTERIM UNAUDITED CONSOLIDATED INCOME STATEMENT

For the six-month and three-month periods ended June 30, 2011 and 2010

(In thousands of US dollars - ThUS\$)

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

		ACCUMULATED		LAST QUARTER	
	Notes	1/1/2011	1/1/2010	4/1/2011	4/1/2010
		6/30/2011	6/30/2010	6/30/2011	6/30/2010
Profit (loss)					
Revenue	20	8,880,048	6,743,645	4,575,102	3,429,447
Cost of sales		(4,859,578)	(4,161,656)	(2,516,654)	(2,263,219)
Gross profit		4,020,470	2,581,989	2,058,448	1,166,228
Other Income, by function	22.a	513,398	61,312	35,098	32,573
Distribution costs		(5,837)	(7,077)	(2,575)	(3,616)
Administrative expenses		(227,440)	(171,869)	(131,037)	(104,858)
Other expenses	22.b	(1,251,820)	(742,785)	(814,083)	(356,771)
Other gains (losses)		31,160	13,568	14,171	8,429
Finance income		22,027	12,099	12,479	5,928
Finance costs	23	(105,858)	(143,164)	(30,176)	(62,766)
Share of profit of associates and joint ventures accounted for using the equity method	8	124,544	150,454	109,704	92,784
Foreign exchange differences	25	41,873	31,014	(36,408)	27,207
Profit for the period before tax		3,162,517	1,785,541	1,215,621	805,138
Income tax expense	5	(1,983,061)	(1,031,078)	(769,647)	(317,795)
Profit for the period from continuing operations		1,179,456	754,463	445,874	487,343
Profit for the period from discontinued operations		-	-	-	-
Profit for the period		1,179,456	754,463	445,874	487,343
Profit (loss) attributable to:					
Profit attributable to owners of the parent		1,180,068	755,166	446,185	487,796
Loss attributable to non-controlling interests	19.b	(612)	(703)	(311)	(453)
Profit for the period		1,179,456	754,463	445,874	487,343

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

CORPORACION NACIONAL DEL COBRE DE CHILE
INTERIM UNAUDITED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six-month and three-month periods ended June 30, 2011 and 2010

(In thousands of US dollars - ThUS\$)

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

	Notes	ACCUMULATED		LAST QUARTER	
		1/1/2011	1/1/2010	4/1/2011	4/1/2010
		6/30/2011	6/30/2010	6/30/2011	6/30/2010
Profit for the period		1,179,456	754,463	445,874	487,343
Components of other comprehensive income (loss), before tax:					
Exchange differences on translation					
Gain (loss) on exchange differences on translation, before tax		929	(1,117)	750	(464)
Other comprehensive income, before tax, exchange differences on translation		929	(1,117)	750	(464)
Cash flow hedges					
Gain (loss) on cash flow hedges, before tax		670,772	925,826	391,887	1,141,220
Other comprehensive income before tax, exchange differences on translation		670,772	925,826	391,887	1,141,220
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method		93,298	825	44,426	63,897
Other comprehensive income (loss) before tax		764,999	925,534	437,063	1,204,653
Income tax relating to components of other comprehensive income:					
Income tax relating to cash flow hedges of other comprehensive income	5	(334,819)	(527,721)	(175,855)	(650,495)
Aggregated income tax relating to components of other comprehensive income		(334,819)	(527,721)	(175,855)	(650,495)
Other comprehensive income (loss)		430,180	397,813	261,208	554,158
Total comprehensive income		1,609,636	1,152,276	707,082	1,041,501
Comprehensive income attributable to					
Comprehensive income attributable to owners of the parent		1,610,248	1,152,979	707,393	1,041,954
Comprehensive income attributable to non-controlling interests		(612)	(703)	(311)	(453)
Total comprehensive income		1,609,636	1,152,276	707,082	1,041,501

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 six-month periods ended June 30, 2011 and 2010

(In thousands of US (In thousands of US dollars - ThUS\$))

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

	Notes	ACCUMULATED 1/1/2011 6/30/2011	1/1/2010 6/30/2010
Cash flow provided by operating activities:			
Cash receipts provided by operating activities			
Cash flows provided by sales of goods and rendering of services		10,458,867	7,866,106
Other cash flows provided by operating activities	26	1,427,426	783,302
Types of cash payments			
Payments to suppliers for goods and services		(4,825,070)	(3,634,459)
Payments to and on behalf of employees		(1,420,702)	(960,977)
Other cash flows used in operating activities	26	(2,164,446)	(1,623,258)
Dividends received		36,750	81,532
Income taxes paid		(2,122,709)	(1,097,369)
Net cash flows provided by operating activities		1,390,116	1,414,877
Cash flows provided by (used in) investing activities:			
Other cash flows provided by the sales of joint ventures	26	1,088,351	-
Other cash flows used to acquire interests in joint ventures		-	(803)
Loans to related companies		(3,900)	(71,500)
Purchases of property plant and equipment		(1,028,404)	(1,185,932)
Interest received		13,967	4,701
Other inflows (outflows) of cash		(118,269)	62,162
Net cash flows from (used in) investing activities		(48,255)	(1,191,372)
Cash flows used in financing activities:			
Proceeds from short-term borrowings		100,000	705,886
Total proceeds from borrowings		100,000	705,886
Repayments of borrowings		(117,534)	(2,308)
Dividends paid		(663,296)	(1,064,161)
Interest paid		(165,518)	(104,298)
Net cash flows used in financing activities		(846,348)	(464,881)
Net increase (decrease) in cash and cash equivalents before foreign exchange difference		495,513	(241,376)
Cash and cash equivalents at beginning of period		874,039	765,833
Cash and cash equivalents at end of period		1,369,552	524,457

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 six-month periods ended June 30, 2011 and 2010
(In thousands of US dollars - ThUS\$)

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

		6/30/2011					
Item		Issued capital	Foreign currency translation reserve	Cash flow hedge reserve	Other miscellaneous reserves	Total other reserves Note 19	Retained 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							
	Comprehensive income						
	Profit (loss)						1,180,068
	Other comprehensive income (loss)		929	335,953	93,298	430,180	
	Comprehensive income						
	Issuance of equity	-					-
	Dividends paid						(866,162)
	Increase (decrease) through transfers and other changes	-	-	-	378,151	378,151	(23,894)
Total increase (decrease) in equity		-	929	335,953	471,449	808,331	290,012
Equity as of 6/30/2011		2,524,423	3,845	(633,618)	2,113,507	1,483,734	1,619,404

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

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

For the six-month periods beginning January 1st and ended June 30, 2011 and 2010
(In thousands of US dollars - ThUS\$)

(Translation of interim consolidated financial statements originally issued in Spanish – see Note 19)

		6/30/2010					
Item		Issued capital	Foreign currency translation reserve	Cash flow hedge reserve	Other miscellaneous reserves	Total other reserves Note 19	Retained earnings
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							
	Comprehensive income						
	Profit (loss)						755,166
	Other comprehensive income (loss)		(1,117)	398,105	825	397,813	
	Comprehensive income						
	Issuance of equity	-					-
	Dividends paid						(604,616)
	Increase (decrease) through transfers and other changes	-	-	-	-	-	16,355
Total increase (decrease) in equity		-	(1,117)	398,105	825	397,813	166,905
Equity as of 6/30/2010		2,524,423	1,309	(619,414)	1,638,558	1,020,453	1,461,062

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 to English of interim 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” 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 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.

Codelco is registered under Securities Registry No. 785 of the Chilean 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 the 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”).

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 S.A., a wholly owned subsidiary of the Company. In 2010 the Company 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 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 of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

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

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, which mandates the payment of a 10% tax over the foreign currency return on the export value of copper production, including its by-products (please refer to Note 2 c).

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 e 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 8.

2. Basis of Presentation of the Consolidated Financial Statements

The Company'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 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 June 30, 2011, for the effects of which IFRS principles and criteria as issued by the International Accounting Standards Board have been applied in full. The June 30, 2011 interim consolidated financial statements were approved by the Board of Directors in the meeting on August 25, 2011. The December 31, 2010 consolidated financial statements were approved by the Company's Board of Directors on March 23, 2011.

Accounting Principles

These interim consolidated financial statements reflect the financial position of Codelco Chile and subsidiaries as of June 30, 2011 and December 31, 2010, the results of their operations for the six-month and three-month periods ended June 30, 2011 and 2010, and the changes in net equity and cash flows for

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

the six-month periods ended June 30, 2011 and 2010, and their related notes, all of which have been prepared and presented in accordance with IAS 34 “Interim Financial Reporting” considering the respective presentational regulations of the Chilean Superintendency of Securities and Insurance (“SVS”), which do not conflict with IFRS.

For the convenience of the reader, these interim unaudited 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 Company’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
- 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 to English of interim 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.

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

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)
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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. The 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.

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) 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.

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

- 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 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 June 30, 2011 and December 31, 2010.
 - Statements of Comprehensive Income for the six and three-month periods ending June 30, 2011 and 2010, respectively.
 - Statements of Changes in Equity for the six-month periods ending June 30, 2011 and 2010, respectively.
 - Statements of Cash Flows for the six-month periods ending June 30, 2011 and 2010, respectively.
- b) Basis of Preparation** - The interim consolidated financial statements of the Corporation for the six months ended June 30, 2011 have been prepared in conformity with IFRS, as issued by the IASB.

The interim 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 six months ended June 30, 2010, 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 June 30, 2011.

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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 translation are included in 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 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:

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Tax Payer Number	Company	Country	Functional Currency	6/30/2011			12/31/2010	6/30/2010
				Entity Share Percentage			Entity Share Percentage	
				Direct	Indirect	Total	Total	Total
Foreign	Chile Copper Limited	England	GBP	100.00	-	100.00	100.00	100.00
Foreign	Codelco Services Limited	England	GBP	-	100.00	100.00	100.00	100.00
Foreign	Codelco Group USA Inc.	United States of America	USD	100.00	-	100.00	100.00	100.00
Foreign	Codelco Metals Inc.	United States of America	USD	-	100.00	100.00	100.00	100.00
Foreign	Codelco International Limited	Bermuda	USD	100.00	-	100.00	100.00	100.00
Foreign	Codelco Technologies Ltd.	Bermuda	USD	-	100.00	100.00	100.00	100.00
Foreign	Codelco do Brasil Mineracao	Brazil	BRL	-	100.00	100.00	100.00	100.00
Foreign	Codelco Kupferhandel GmbH	Germany	EURO	100.00	-	100.00	100.00	100.00
Foreign	Metall Agentur GmbH	Germany	EURO	-	100.00	100.00	100.00	100.00
Foreign	Ecometales Limited	Anglonormandars	USD	-	100.00	100.00	100.00	100.00
59.087.530-9	Ecometales Ltd. Agencia en Chile	Chile	USD	-	100.00	100.00	100.00	100.00
76.561.210-1	Mining Information Communications and Monitoring S.A.	Chile	USD	66.00	-	66.00	66.00	66.00
78.712.170-5	Compañía Minera Picacho (SCM)	Chile	USD	99.99	0.01	100.00	100.00	100.00
78.860.780-6	Compañía Contractual Minera los Andes	Chile	USD	99.97	0.03	100.00	100.00	100.00
76.063.022-5	Inca de Oro S.A.	Chile	USD	-	-	-	100.00	100.00
79.566.720-2	Isapre Chuquicamata Ltda.	Chile	CLP	98.30	1.70	100.00	100.00	100.00
81.767.200-0	Asociación Garantizadora de Pensiones	Chile	CLP	96.69	-	96.69	96.69	96.69
88.497.100-4	Clínica San Lorenzo Limitada	Chile	CLP	99.90	-	99.90	99.90	99.95
76.521.250-2	San Lorenzo Institución de Salud Previsional Ltda.	Chile	CLP	-	99.90	99.90	99.90	100.00
89.441.300-K	Isapre Río Blanco Ltda.	Chile	CLP	99.99	0.01	100.00	100.00	100.00
96.817.780-K	Ejecutora Hospital del Cobre Calama S.A.	Chile	USD	99.99	0.01	100.00	100.00	100.00
96.819.040-7	Complejo Portuario Mejillones S.A.	Chile	USD	99.99	0.01	100.00	100.00	100.00
96.854.500-0	Instituto de Innovación en Minería y Metalurgia S.A.	Chile	USD	99.93	-	99.93	99.93	99.93
96.876.140-4	Santiago de Río Grande S.A.	Chile	USD	99.99	0.01	100.00	100.00	100.00
96.991.180-9	Biosigma S.A.	Chile	USD	66.67	-	66.67	66.67	66.67
Foreign	Biosigma Bermudas Ltda. (Bermuda)	Bermuda	USD	-	-	-	66.67	66.67
99.569.520-0	Exploraciones Mineras Andinas S.A.	Chile	USD	99.90	0.10	100.00	100.00	100.00
99.573.600-4	Clínica Río Blanco S.A.	Chile	CLP	99.00	1.00	100.00	100.00	100.00
76.064.682-2	Centro de Especialidades Médicas Río Blanco Ltda.	Chile	CLP	99.00	1.00	100.00	100.00	-
76.685.790-6	Minera Gaby SpA	Chile	USD	99.90	0.10	100.00	100.00	100.00
77.773.260-9	Sociedad de Inversiones Copperfield Ltda.	Chile	USD	99.99	0.01	100.00	100.00	100.00
76.883.610-8	Energía Minera S.A.	Chile	USD	99.00	1.00	100.00	100.00	100.00
76.043.396-9	Innovaciones en Cobre S.A.	Chile	USD	0.10	99.90	100.00	100.00	100.00
76.082.774-6	Inversiones Tocopilla 2B S.A.	Chile	USD	99.99	0.01	100.00	100.00	100.00
76.148.338-2	Sociedad de Procesamiento de Molibdeno Ltda.	Chile	USD	99.90	0.10	100.00	-	-
76.082.158-6	Inversiones Mejillones 2 S.A.	Chile	USD	34.80	65.20	100.00	100.00	100.00
76.124.156-7	Centro de Especialidades Médicas San Lorenzo Ltda.	Chile	USD	-	100.00	100.00	-	-
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:

- **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 interim 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

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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 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 interim 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.
- **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:

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Entity	Country	Equity share percentage	
		6/30/2011	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) (6/30/2011: Ch\$ 21,889.89; 12/31/2010: Ch\$ 21,455.55), 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 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.

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The exchange rates used in each period are as follows:

Ratio	Period-end exchange rates		
	6/30/2011	12/31/2010	6/30/2010
USD / CLP	0.00214	0.00214	0.00183
USD / GBP	1.60617	1.54059	1.49477
USD / BRL	0.64103	0.60107	0.64103
USD / EURO	1.45180	1.32802	1.22354

- 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	40 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 years	5 years
Land improvements	10 years	35 years
Other	57 months	293 months

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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

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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 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 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".

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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) **Inventories** - 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) **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.
- m) **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 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

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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.

- n) 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 are recorded in operating income.

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

- o) Leases – (Codelco as a lessee)** - Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset is depreciated over the

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shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of International Financial Reporting Interpretations Committee ("IFRIC") 4 'Determining whether an Arrangement contains a Lease'.

Embedded leases

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.

- p) **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.

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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.

- q) 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 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.

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.

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*

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. Generally these transactions are

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designated as cash flow hedges, whereby the effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement in other operating expenses.

Amounts recognized as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, becomes ineffective, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss

- *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.

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- *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 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.

- r) **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.
- s) **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.
- t) **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:*

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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 income statement 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.

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 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 situations arise such as the dissolution of the company, lack of identifiable assets for its execution or a legal pronouncement.

- u) 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.

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- v) **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.
- w) **Intangible Assets** - Intangible assets are measured on initial recognition at cost. Amortization, where appropriate, is recognized in accordance with IAS 38. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Currently intangible assets are amortized using the straight-line method over periods between 4 and 19 years. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets.

Research and development costs

Research costs are expensed as incurred.

- x) **Statement of Cash Flows** - 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.

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.

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- 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 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.
- ac) 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 Company, through credit agreements available unconditionally with long-term maturity, these could be classified as non-current liabilities.

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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 ¹:

New IFRS	Date of mandatory application	Summary
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2013	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.

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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.
IAS 1 Presentation of Financial Statements	Annual periods beginning on or after July 1, 2012.	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 12, Deferred taxes – Recovery of Underlying Asset.	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 year.

† IAS, International Accounting Standards; IFRS, International Financial Reporting Standards; IFRIC, International Financial Reporting Interpretation Committee

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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, In order to determine the eventual impact that these pronouncements will have on the Corporation's financial statements, studies are being conducted of each of the pronouncements detailed above.

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EXPLANATORY NOTES

1. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Items	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Cash On hand	3,864	3,319
Bank Balances	74,560	17,012
Time deposits	1,253,058	741,579
Mutual Funds	12,273	61,855
Resale Agreements	25,797	50,274
Total Cash and Cash Equivalents	1,369,552	874,039

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.

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.

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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 this, current assets as of June 30, 2011 and December 31, 2010 include an accrual of ThUS\$ (73,340) y ThUS\$ 406,837, respectively, in current assets.

Trade and other receivables

The following chart shows the amounts of Trade and other receivables, with their corresponding allowances:

Items	Current		Non- Current	
	6/30/2011 ThUS\$	12/31/2010 ThUS\$	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Trade Receivables (1)	1,442,758	2,349,685	-	-
Allowance for doubtful accounts (3)	(4,196)	(2,343)	-	-
<i>Subtotal trade receivables, Net</i>	1,438,562	2,347,342	-	-
Other Receivables(2)	306,296	370,878	192,608	198,785
Allowance for doubtful accounts (3)	(6,479)	(4,214)	-	-
<i>Subtotal other receivables, Net</i>	299,817	366,664	192,608	198,785
Total	1,738,379	2,714,006	192,608	198,785

(1) Trade receivables are non-interest bearing.

(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 (Fundición Ventanas).

(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.

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The movement of the allowance for doubtful accounts in the periods January to June 2011 and 2010 is detailed as follows:

Movements of allowance for doubtful accounts	6/30/2011 ThUS\$	6/30/2010 ThUS\$
Opening balance	6,557	4,558
Increases	4,294	260
Write-offs/applications	(176)	(492)
Movement, subtotal	4,118	(232)
Final balance	10,675	4,326

Past due and not impaired balances are detailed as follows:

Past-due and not impaired	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Less than 90 days	12,631	18,814
Between 90 days and 1 year	3,033	378
More than 1 year	5,638	3,572
Total past-due and not impaired	21,302	22,764

3. Related Party Disclosures

a) Transactions with the Board of Directors

The Corporation's Board of Directors 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 of its Directors, its Executive President, members of the Divisional Board of Directors, Vice Presidents, Corporate Auditors, Divisional General Managers and senior supervisory personnel, including their spouses, children and other relatives, up to the second degree of kinship, have direct personal interests, whether they are represented by third parties or 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.

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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.

Without affecting the above, the internal regulatory framework included in Corporate Regulation No. 18, is adjusted by the provisions of Title XVI of Corporations Law - 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 the line of business and that are necessary for the normal development of the activities of Codelco.

For the purposes of this regulation, second and third hierarchical level positions in the Divisions, and Managers and Assistant Managers in the Parent Company 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:

Entity	Taxpayer number	Country	Nature of the relationship	Description of the transaction	1/1/2011 6/30/2011	1/1/2010 6/30/2010	4/1/2011 6/30/2011	4/1/2010 6/30/2010
					Amount ThUS\$	Amount ThUS\$	Amount ThUS\$	Amount ThUS\$
Domingo Iraola Vera	2.320.212-3	Chile	Executive's relative	Services	8,437	33	18	33
Cosando Construcción y Montaje Ltda.	77.755.770-K	Chile	Executive's relative	Services	3,716	-	1,774	-
Ernst & Young Ltda.	77.802.430-6	Chile	Director's relative	Services	-	17	-	-
Servicios Aridam S.A.	76.033.531-2	Chile	Executive's relative	Services	12,022	184	12,022	184
Ecometales Ltd.	59.097.530-9	Chile	Subsidiary	Services	5,178	-	4,162	-
Club Deportes Cobresal	70.658.400-5	Chile	One employee is the President of the Club	Services	-	340	-	340
CAID S.A.	76.069.751-6	Chile	Executive's relative	Services	-	442	-	442
B. BOSCH. S.A.	84.716.400-K	Chile	Executive's relative	Services	-	195	-	195
E-CL S.A.	88.006.900-4	Chile	Associate	Services	900	-	-	-
Irene Astudillo Fernández	8.972.584-4	Chile	Executive's relative	Services	-	74	-	74
Sinclair Knight Merz (Chile) Ltda	76334600-5	Chile	Executive's relative	Services	123,479	121	123,479	121
Salomón Sack S.A.	90.970.000-0	Chile	Director's ownership	Services	270	-	248	-

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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 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 6/30/2011		1/1/2010 6/30/2010		4/1/2011 6/30/2011	
					Amount ThUS\$	Effects on net income (charges)/ credits ThUS\$	Amount ThUS\$	Effects on net income (charges)/ credits ThUS\$	Amount ThUS\$	Effects on net income (charges)/ credits ThUS\$
Santiago González Larrain	6.499.284-8	Chile	Chairman of the Board	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	-	-	7	(7)	-	-
Jorge Bande Bruck	5.899.738-2	Chile	Director	Director's fees	53	(53)	43	(43)	27	-
Jorge Bande Bruck	5.899.738-2	Chile	Director	Fees	-	-	5	(5)	-	-
Jorge Candia Díaz	8.544.205-8	Chile	Director	Compensations	-	-	15	(15)	-	-
Jorge Candia Díaz	8.544.205-8	Chile	Director	Director's fees	-	-	11	(11)	-	-
Raimundo Espinoza Concha	6.512.182-4	Chile	Director	Compensations	24	(24)	30	(30)	11	-
Raimundo Espinoza Concha	6.512.182-4	Chile	Director	Director's fees	40	(40)	26	(26)	20	-
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	30	(30)	21	(21)	-	-
Jaime Gutiérrez Castillo	6.772.588-3	Chile	Director	Director's fees	26	(26)	33	(33)	6	-
Andrés Santuantes Vergara	4.135.157-8	Chile	Director	Director's fees	-	-	18	(18)	-	-
Gerardo Jofré Miranda	5.672.444-3	Chile	Chairman of the Board	Director's fees	79	(79)	43	(43)	40	-
Marcos Büchi Buc (1)	7.383.017-6	Chile	Director	Director's fees	-	-	32	(32)	-	-
Fernando Porcile Valenzuela	4.027.183-k	Chile	Director	Director's fees	40	(40)	-	-	20	-
Andrés Tagle Domínguez	5.895.255-9	Chile	Director	Director's fees	40	(40)	-	-	20	-
Marcos Lima Aravena	5.119.963-4	Chile	Director	Director's fees	66	(66)	32	(32)	33	-
Juan Luis Ossa Bulnes	3.638.915-K	Chile	Director	Director's fees	40	(40)	-	-	20	-

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Entity	Taxpayer number	Country	Nature of the relationship	Description of the transaction	1/1/2011 6/30/2011		1/1/2010 6/30/2010		4/1/2011 6/30/2011	
					Amount	Effects on net income (charges)/ credits	Amount	Effects on net income (charges)/ credits	Amount	Effects on net income (charges)/ credits
					ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Santiago González Larraín	6.499.284-8	Chile	Chairman of the Board	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	-	-	7	(7)	-	-
Jorge Bande Bruck	5.899.738-2	Chile	Director	Director's fees	53	(53)	43	(43)	27	(27)
Jorge Bande Bruck	5.899.738-2	Chile	Director	Fees	-	-	5	(5)	-	-
Jorge Candia Díaz	8.544.205-8	Chile	Director	Compensations	-	-	15	(15)	-	-
Jorge Candia Díaz	8.544.205-8	Chile	Director	Director's fees	-	-	11	(11)	-	-
Raimundo Espinoza Concha	6.512.182-4	Chile	Director	Compensations	24	(24)	30	(30)	11	(11)
Raimundo Espinoza Concha	6.512.182-4	Chile	Director	Director's fees	40	(40)	26	(26)	20	(20)
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	30	(30)	21	(21)	-	-
Jaime Gutiérrez Castillo	6.772.588-3	Chile	Director	Director's fees	26	(26)	33	(33)	6	(6)
Andrés Sanfuentes Vergara	4.135.157-8	Chile	Director	Director's fees	-	-	18	(18)	-	-
Gerardo Jofré Miranda	5.672.444-3	Chile	Chairman of the Board	Director's fees	79	(79)	43	(43)	40	(40)
Marcos Büchi Buc (1)	7.383.017-6	Chile	Director	Director's fees	-	-	32	(32)	-	-
Fernando Porcile Valenzuela	4.027.183-k	Chile	Director	Director's fees	40	(40)	-	-	20	(20)
Andrés Tagle Domínguez	5.895.255-9	Chile	Director	Director's fees	40	(40)	-	-	20	(20)
Marcos Lima Aravena	5.119.963-4	Chile	Director	Director's fees	66	(66)	32	(32)	33	(33)
Juan Luis Ossa Bulnes	3.638.915-K	Chile	Director	Director's fees	40	(40)	-	-	20	(20)

- (1) During the six-month period from January 1 to June 30, 2011, the Corporation has not issued any payment in respect of remunerations to Mr. Marcos Büchi Buc, derived from his participation as Corporation Director, since he has waived those payments, as well as any present or future collection action for that concept. Regarding the amounts for 2010, although the relevant payment documents had been issued, they were not cashed at the time by Mr. Buc, and collection of those amounts, and they were written-off.

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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:

- a. 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.
- b. A unique monthly salary 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 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 - June 2011, amount to ThUS\$ 4,374 (2010: ThUS\$ 3,071).

Non-current benefits during the January – June 2011 period amount to ThUS \$ 39.

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.

There are no share-based benefit plans.

The criteria used 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 salary will be equal to the fixed salary corresponding to 50% of the fixed component of the compensation for this position in the market of reference, with a range of approximately 15%.

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- ii. The non-guaranteed performance bonus will have an annual value that will fluctuate depending on goal compliance and individual performance between zero and three fixed monthly salaries. 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 salary of these executives.
- iii. The total compensation, that is to say, the sum of the guaranteed fixed salary plus the possible performance bonus, shall not exceed the total remuneration corresponding to the 75th percentile of this position in the market of reference.

None of the main executives of Codelco received severance payments as of June 30, 2011 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 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.

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Accounts receivable from and payable to related companies as of June 30, 2011 and December 31, 2010, are detailed as follows:

Accounts receivables due from related companies

Taxpayer number	Company	Country	Nature of the relationship	Indexation currency	Current		Non-current	
					6/30/2011 ThUS\$	12/31/2010 ThUS\$	6/30/2011 ThUS\$	12/31/2010 ThUS\$
76.775.710-7	GNL Mejillones S.A.	Chile	Associate	USD	80,002	52,655	80,557	104,672
96.701.340-4	Sociedad Contractual Minera El Abra	Chile	Associate	USD	3,824	1,217	-	-
Foreign	Copper Partners Invest. Company Ltd.	Bermuda	Joint Venture	USD	6,368	100,121	-	-
77.773.260-9	Sociedad de Inversiones Copperfield Ltda.	Chile	Associate	USD	208	2,453	40	-
96.801.450-1	Agua de la Falda S.A.	Chile	Associate	USD	-	-	242	224
76.024.442-2	Ecosea Farming S.A.	Chile	Associate	CLP	-	64	-	-
76.009.778-0	Comotech S.A.	Chile	Associate	CLP	-	165	-	-
76.869.100-2	Mining Industry Robotic Solutions S.A.	Chile	Associate	CLP	-	1,279	-	-
Total					90,402	157,954	80,839	104,896

Accounts payables to related companies

Taxpayer number	Company	Country	Nature of the relationship	Indexation currency	Current		Non-current	
					6/30/2011 ThUS\$	12/31/2010 ThUS\$	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Foreign	Copper Partners Investment Company Ltd.	Bermuda	Joint Venture	USD	44,484	36,666	326,977	345,324
Foreign	Deutsche Geissdraht GmbH	Germany	Associate	EURO	1,645	2,081	-	-
76.781.030-K	Kairos Mining S.A.	Chile	Associate	CLP	-	13,845	-	-
76.869.100-2	Mining Industry Robotic Solutions S.A.	Chile	Associate	CLP	-	-	-	-
88.006.900-4	E-CL S.A.	Chile	Associate	USD	-	53,091	-	3,880
96.701.340-4	Sociedad Contractual Minera El Abra	Chile	Associate	USD	39,796	50,670	-	-
76.775.710-7	GNL Mejillones S.A.	Chile	Associate	USD	15,474	15,146	-	-
	Other investment			CLP	58	66	-	-
Total					101,457	171,565	326,977	349,204

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The transactions performed between the Corporation and its related companies during the six months ended June 30, 2011, are presented in the next chart together with their corresponding effects on profit or loss:

Company	Taxpayer number	Description of the transaction	Country	Indexation Currency	1/1/2011 6/30/2011		1/1/2010 6/30/2010		Amount ThUS\$
					Amount ThUS\$	Effects on net income (charges)/credits ThUS\$	Amount ThUS\$	Effects on net income (charges)/credits ThUS\$	
Foreign	Copper Partners Investment Co. Ltd.	Sale of products	Bermuda	USD	66,970	66,970	71,804	71,804	20,959
76.775.710-7	Sociedad GNL Mejillones S.A.	Purchase of energy	Chile	USD	86,199	(86,199)	-	-	46,576
76.775.710-7	Sociedad GNL Mejillones S.A.	Loan	Chile	USD	-	-	71,500	-	-
76.775.710-7	Sociedad GNL Mejillones S.A.	Commissions received	Chile	USD	376	376	450	450	135
76.775.710-7	Sociedad GNL Mejillones S.A.	Loan interests	Chile	USD	2,627	2,627	3,566	3,566	2,627
96.701.340-4	SCM El Abra	Dividends received	Chile	USD	36,750	-	-	-	36,750
96.701.340-4	SCM El Abra	Purchase of products	Chile	USD	197,578	(197,578)	214,464	(214,464)	105,323
96.701.340-4	SCM El Abra	Sale of products	Chile	USD	22,795	22,795	13,264	13,264	10,117
96.701.340-4	SCM El Abra	Purchase of services	Chile	USD	960	(960)	865	(865)	294
96.701.340-4	SCM El Abra	Commissions received	Chile	USD	2	2	76	76	(22)
88.006.900-4	E-CL S.A.	Interests and commissions	Chile	USD	-	-	-	-	-
88.006.900-4	E-CL S.A.	Purchase of energy	Chile	USD	-	-	229,043	(229,043)	-
88.006.900-4	E-CL S.A.	Gas Supply	Chile	USD	-	-	-	-	-

d) Additional Information

The current and non-current account payable to the company Copper Partners Investment Company Ltd., corresponding to the advance payment received (US\$550 million) due to the commercial agreement with the

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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

Inventories as of June 30, 2011, December 31, 2010 is detailed as follows:

Items	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Finished products	554,700	418,394
Subtotal finished products, net	554,700	418,394
Products in process	1,131,091	1,055,664
Subtotal products in process, net	1,131,091	1,055,664
Materials in warehouse and others	470,980	381,932
Obsolescence allowance adjustment	(63,529)	(73,484)
Subtotal Materials in warehouse and others, net	407,451	308,448
Total inventories	2,093,242	1,782,506

Movements	6/30/2011 ThUS\$
Initial balance	(73,484)
Additions	(12,039)
Reversals	21,994
Final balance	(63,529)

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 the six months ended June 30, 2011 and 2010, corresponds to finished products and amounts to ThUS\$4,859,578 and ThUS\$4,161,656, respectively.

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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. In fiscal year 2013 the income tax rate will revert back to 17%.

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. As of June 30, 2011, the pending reserve balance amounted to ThUS\$ 1,831.

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 Company has estimated a tax rate of 5.68% for that tax year.

Deferred tax assets and liabilities are detailed as follows:

Deferred tax assets	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Provisions	680,056	671,737
Unrealized gains	49,170	49,246
Finance lease	18,980	18,862
Specific mining tax	21,055	7,452
Derivatives - futures	893,039	1,232,505
Advances from clients	207,277	217,734
Derivatives interest rate swaps	57,388	52,740
Health care plans	20,398	20,081
Others	31,400	31,754
Total deferred tax assets	1,978,763	2,302,111

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Deferred tax liabilities	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Financial liabilities under effective interest rate	7,814	8,000
Derivatives exchange rate swaps	-	-
Specific mining tax	-	-
Price-level restatement of property, plant and equipment	765,259	832,594
Valuation of employee termination benefit	200,529	200,568
Accelerated depreciation	2,009,097	1,915,741
Derivatives - futures	-	-
Provisions	329	46,808
Other	1,408	9,782
Total deferred tax liabilities	2,984,436	3,013,493

The effect of deferred taxes affecting equity is summarized as follows:

Deferred taxes affecting Equity	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Cash Flow Hedge	(334,819)	(63,560)
Total deferred taxes affecting equity	(334,819)	(63,560)

A reconciliation of taxes considering the legal tax rate and the calculation of the taxes actually paid is detailed as follows:

Items	6/30/2011				
	Taxable base 20%	Taxable base 40%	Tax rate 20%	Additional tax rate 40%	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Profit before taxes	3,162,517	3,162,517	632,503	1,265,007	1,897,510
Permanent differences 20%	(366,035)	-	(73,207)	-	(73,207)
Permanent differences 40%	-	(235,631)	-	(94,252)	(94,252)
Income from corporations and others	(128,918)	(128,918)	(25,784)	(51,567)	(77,351)
Income from contractual companies	(127,321)	-	(25,464)	-	(25,464)
Income from Isapres (Private health insurance companies)	(3,158)	-	(632)	-	(632)
Foreign exchange differences	929	929	186	372	558
Specific mining tax	(214,635)	(214,635)	(42,927)	(85,854)	(128,781)
Dividends receivable	-	(75)	-	(30)	(30)
Others	107,068	107,068	21,414	42,827	64,241
Specific mining tax net of deferred tax	-	-	-	-	201,085
Effect of subsidiaries	-	-	-	-	51,295
Total tax expense			559,296	1,170,755	1,983,061

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Items	6/30/2010				
	Taxable base 17%	Taxable base 40%	Tax rate 17%	Additional tax rate 40%	Total
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Profit before taxes	1,785,541	1,785,541	303, 542	714,216	1,017,758
Permanent differences 20%	(264,869)	-	(45,028)	-	(45,028)
Permanent differences 40%	-	(101,046)	-	(40,418)	(40,418)
Income from corporations and others	(36,166)	(36,166)	(6,148)	(14,466)	(20,614)
Income from contractual companies	(113,319)	-	(19,264)	-	(19,264)
Income from Isapres (Private health insurance companies)	(186)	-	(32)	-	(32)
Foreign exchange differences	(725)	(725)	(123)	(290)	(413)
Specific mining tax	(131,998)	(131,998)	(22,440)	(52,799)	(75,239)
Dividends receivable	-	50,318	-	20,127	20,127
Others	17,525	17,525	2,979	7,010	9,989
Specific mining tax net of deferred tax	-	-	-	-	108,624
Effect of subsidiaries	-	-	-	-	(9,598)
Total tax expense			258,514	673,798	1,031,078

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	6/30/2011 ThUS\$	12/31/2010 ThUS\$
VAT fiscal credit	175,972	153,347
Other taxes	4,775	5,153
Income tax	5,317	35,726
Total	186,064	194,226

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b) Current tax liabilities

This item shows the income tax liabilities, net of monthly provisional payments:

Item	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Income tax payable	331,982	307,952
Total	331,982	307,952

7. Property, Plant and Equipment

- a) The balances of Property, plant and equipment at June 30, 2011 comparative with December 31, 2010, are as follows:

Property, Plant and Equipment, gross	30-06-2011 ThUS\$	31-12-2010 ThUS\$
Construction in progress	3,002,279	2,756,793
Land	125,585	108,087
Buildings	3,211,278	3,163,952
Plant and Equipment	10,121,929	9,767,914
Fixtures and fittings	35,097	35,600
Motor vehicles	1,172,336	1,106,413
Land Improvements	3,124,662	3,067,271
Mining Operations	2,957,637	2,670,080
Mine development	759,518	737,544
Other Assets	741,840	735,895
Property, Plant and Equipment, gross	25,252,161	24,149,549

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Property, Plant and Equipment, accumulated depreciation	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Construction in progress	387	-
Land	-	-
Buildings	1,960,700	1,905,162
Plant and Equipment	5,734,876	5,407,138
Fixtures and fittings	24,036	24,123
Motor vehicles	686,248	643,353
Land Improvements	1,877,418	1,820,174
Mining Operations	1,391,665	1,305,938
Mine development	333,857	316,568
Other Assets	403,288	375,663
Property, Plant and Equipment, accumulated depreciation	12,412,475	11,798,119

Property, Plant and Equipment, net	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Construction in progress	3,001,892	2,756,793
Land	125,585	108,087
Buildings	1,250,578	1,258,790
Plant and Equipment	4,387,053	4,360,776
Fixtures and fittings	11,061	11,477
Motor vehicles	486,088	463,060
Land Improvements	1,247,244	1,247,097
Mining Operations	1,565,972	1,364,142
Mine development	425,661	420,976
Other Assets	338,552	360,232
Property, Plant and Equipment, net	12,839,686	12,351,430

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b) Movement of Property, plant and equipment

Movements ThUS\$	Construction in Progress	Land	Buildings	Plant and Equipment	Fixtures and fittings	Motor Vehicles	Land Improvements	Mining Operations	M develop
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	-	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	-	-	(97.258)	(600.038)	(1.610)	(92.054)	(102.023)	(317.433)	
Reclassifications	(242.132)	-	11.088	727	439	2.732	4.562	222.386	
Impairment	-	-	-	1.867	-	-	-	-	
Others	(4.379)	1.134	(1.075)	16.944	(53)	-	(4.938)	-	
Total movements	264.692	1.163	68.626	332.571	5.319	9.173	223.899	207.803	
Final Balance as of 12/31/2010	2.756.793	108.087	1.258.790	4.360.776	11.477	463.060	1.247.097	1.364.142	

Movements ThUS\$	Construction in Progress	Land	Buildings	Plant and Equipment	Fixtures and fittings	Motor Vehicles	Land Improvements	Mining Operations	M develop
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	989.711	17.500	129.218	6.990	1.198	19	1.530	163.011	
Disposals	(6.345)	-	-	8.939	(81)	(12)	-	-	
Capitalizations	(584.332)	-	30.966	415.909	22	68.606	50.067	-	
Depreciation and Amortization	(276)	-	(55.115)	(337.293)	(1.144)	(49.325)	(57.226)	(184.099)	
Reclassifications	(191.803)	-	7.640	(13.302)	30	(444)	5.624	211.767	
Impairment	-	-	-	-	-	-	-	-	
Others	38.144	(2)	(120.921)	(54.966)	(441)	4.184	152	11.151	
Total movements	245.099	17.498	(8.212)	26.277	(416)	23.028	147	201.830	
Final Balance as of 6/30/2011	3.001.892	125.585	1.250.578	4.387.053	11.061	486.088	1.247.244	1.565.972	

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- 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. These policies provide adequate coverage of the potential risks.
- e) Interest costs capitalized for the period from January 1 to June 30, 2011 amount to ThUS\$ 16,006, calculated based on an annual capitalization rate of 4.14%, and ThUS\$ 4,705 for the same period in the year 2010, calculated based on a capitalization rate of 4.26%.
- 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:

Item	Equity Method		Accrued net income		Accrued net income	
	6/30/2011	12/31/2010	1/1/2011	1/1/2010	4/1/2011	4/1/2010
	ThUS\$	ThUS\$	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Investments in associates accounted for using the equity method	668,803	1,234,139	119,100	146,614	106,934	92,945
Joint Ventures	125,232	26,635	5,444	3,840	2,770	(161)
Total	794,035	1,260,774	124,544	150,454	109,704	92,784

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a) Associates

Agua de la Falda S.A.

As of June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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%.

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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 June 30, 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 June 30, 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.

E-CL S.A.

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 into a single company all of the shares and rights that Codelco and Suez Energy Andino S.A. own in E-CL

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S.A., Electroandina S.A., and other companies dedicated to the production, distribution and electric energy supply to industrial customers and mining companies established in the north of Chile.

Therefore, as of December 31, 2010, a 40% equity interest in E-CL S.A. is held by Codelco (with a 16.35% interest held directly by Codelco, and 23.65% through Inversiones Mejillones 2 S.A.) and 52.4% by Suez Energy Andino S.A., with a 7.6% remainder held by minority shareholders.

Subsequently, on January 27, 2011, Codelco placed 424,251,415 shares issued by E-CL S.A. (representative of 40% of this company's share capital), equivalent to a total amount of Ch\$509,101,698,000, equivalent to ThUS\$ 1,051,558, based on the observed US dollar exchange rate as of the current date.

Net financial income after taxes generated by this operation was ThUS\$ 29,819.

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).

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\$ 22 million for Codelco.

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Copper for Energy S.A.

As of June 30, 2011, Codelco has a 25% interest in the share capital of International Copper Association Limited 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 the most efficient use of energy and/ or to generate and utilize renewable energy; conducting and ordering research projects, rendering of training services and activities.

Associates	Taxpayer number	Functional currency	Equity interest		Equity Method		Accrued net income	
			6/30/2011	12/31/2010	6/30/2011	12/31/2010	1/1/2011	1/1/2011
			%	%	ThUS\$	ThUS\$	6/30/2011	6/30/2011
Deutsche Geissdraht GmbH	Foreign	Foreign	40.00%	40.00%	3,543	4,141	917	
Agua de la Falda S.A.	96.801.450-1	USD	43.28%	43.28%	5,526	5,810	(231)	
Sociedad Contractual Minera El Abra	96.701.340-4	USD	49.00%	49.00%	614,607	542,625	108,732	
Minera Purén SCM	76.028.880-2	USD	35.00%	35.00%	17,483	5,407	12,076	
Sociedad GNL Mejillones S.A.	76.775.710-7	USD	37.00%	50.00%	-	-	(1,961)	
Kairos Mining S.A.	76.781.030-K	CLP	40.00%	40.00%	101	105	(2)	
MI Robotic Solutions S.A.	76.869.100-2	CLP	36.00%	36.00%	2,160	2,537	(430)	
E - CL S.A.	88.006.900-4	USD	-	40.00%	-	672,409	-	
Inca de Oro S.A.	73.063.022-5	USD	34.00%	-	24,132	-	70	
Others					1,251	1,105	(71)	
TOTAL					668,803	1,234,139	119,100	

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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 the six months ended June 30, 2011 and December 31, 2010:

Assets and liabilities	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Current assets	1,486,977	1,462,328
Non-current assets	1,691,840	4,013,708
Current liabilities	839,020	891,539
Non-current liabilities	429,883	1,373,837

Net Income	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
Sales	1,079,000	890,820	685,741	473,557
Cost of sales	(709,855)	(591,131)	(500,054)	(202,778)
Profit for the period	369,145	299,689	185,687	270,779

Movement of investments in associates	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$
Opening balance	1,234,139	1,100,156
Contributions	22,259	-
Net income for the period	119,100	146,614
Foreign exchange differences	53	(64)
Transfer of negative equity	9,680	(931)
Sale of E-CL ownership interest	(672,409)	-
Other comprehensive income	(7,720)	(5,375)
Other	(36,299)	(93,609)
Final balance	668,803	1,146,791

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b) Joint ventures

At June 30, 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 Alum 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	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Current Assets	135,232	138,824
Non - current assets	326,976	345,324
Current Liabilities	70,241	258,021
Non - current liabilities	157,144	172,858

Net income	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
Revenue	265,382	198,258	128,379	93,990
Cost of sale	(254,494)	(190,578)	(122,840)	(94,311)
Profit (loss)	10,888	7,680	5,539	(321)

Movement of investment in Joint Ventures	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$
Opening Balance	26,635	-
Net income for the period	5,444	3,840
Distribution	-	(12,431)
Transfer of negative equities	-	(64,341)
Other comprehensive income	93,153	83,436
Final Balance	125,232	10,504

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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 table¹:

Entity	6/30/2011	12/31/2010
	ThUS\$	ThUS\$
E-CL S.A. (Ex Edelnor S.A.)	-	2,755,536
Investment attributable to the Corporation 40%	-	1,102,214

d) Interest in negative equity

The Corporation, at June 30, 2011 and December 31, 2010, has an interest in the following negative equities (amounts expressed in ThUS\$):

Entity	Equity interest percentage	Negative equity	
		6/30/2011 ThUS\$	12/31/2010 ThUS\$
Sociedad GNL Mejillones S.A.	37%	(142,316)	(116,152)

e) 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 June 30, 2011 is ThUS\$86,240 June 30, 2010 ThUS\$88,629. This figure is shown by deducting the investment in this company.

Codelco carries out copper purchases and sales with this company. At June 30, 2011, and December 31, 2010, the value of finished products in Inventories does not have an unrealized profit accrual.

¹ 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>

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9. 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	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Current Assets	1,130,623	338,871
Non - current assets	548,282	721,681
Current Liabilities	564,953	231,351
Non - current liabilities	315,988	297,303

Net Income	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$
Revenue	1,440,018	844,548
Cost of sale	(1,299,639)	(809,582)
Profit (loss)	140,379	34,966

10. Intangible assets other than goodwill

a) Balance of Intangible Assets

Intangible assets, gross	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Software Licenses	612	474
Water rights	12,172	12,172
Electricity rights	8,780	8,780
Other	4,333	9,361
Total	25,897	30,787

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Intangible assets, accumulated amortization	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Software Licenses	438	346
Water rights	6,550	6,550
Electricity rights	2,511	2,335
Other	13	-
Total	9,512	9,231

Intangible assets, net	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Software Licenses	174	128
Water rights	5,622	5,622
Electricity rights	6,269	6,445
Other	4,320	9,361
Total	16,385	21,556

b) Movement of Intangible Assets

Movements ThUS\$	Software licenses	Water Rights	Electricity Rights	Others	Total
Opening balance as of 1/1/2010	218	5,622	6,796	8,744	21,380
Additions	18	-	-	-	18
Disposals	(1)	-	-	-	(1)
Capitalized costs	(90)	-	-	-	(90)
Amortization	(21)	-	(351)	-	(372)
Reclassifications	-	-	-	-	-
Impairment	-	-	-	-	-
Other	4	-	-	617	621
Total movements	(90)	-	(351)	617	176
Final movement as of 12/31/2010	128	5,622	6,445	9,361	21,556

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Movements ThUS\$	Software licenses	Water Rights	Electricity Rights	Others	Total
Opening balance as of 1/1/2011	128	5,622	6,445	9,361	21,556
Additions	130	-	-	-	130
Disposals	(64)	-	-	(1,511)	(1,575)
Capitalized costs	-	-	-	-	-
Amortization	(20)	-	(176)	(30)	(226)
Reclassifications	-	-	-	379	379
Impairment	-	-	-	-	-
Other	-	-	-	(3,879)	(3,879)
Total movements	46	-	(176)	(5,041)	(5,171)
Final movement as of 6/30/2011	174	5,622	6,269	4,320	16,385

c) Research and Development

Disbursements for research and development recognized as expenses for the period	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
	26,585	18,817	16,999	10,933

11. Other non-current non-financial assets

Other non-current non-financial assets included in the interim consolidated statement of financial position as of June 30, 2011 and December 31, 2010 are detailed as follows:

Other non-current financial assets	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Anglo American Purchase Option (1)	155,700	155,700
Law No. 13,196 asset (2)	36,364	38,199
Others	15,864	9,606
TOTAL	207,928	203,505

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- (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 it every three years.
- (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.

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	6/30/2011				
	At fair value though profit and loss	Loans and receivables	Hedging derivatives	Available for sale	Total financial assets ThUS\$
Cash and Cash equivalents	12,273	1,357,279	-	-	1,369,552
Trade and other current receivables	73,340	1,665,039	-	-	1,738,379
Rights receivables, non current	-	192,608	-	-	192,608
Due from related companies, current	-	90,402	-	-	90,402
Due from related companies, non - current	-	80,839	-	-	80,839
Other current financial assets	-	7,690	169,772	-	177,462
Other non - current financial assets	-	9,365	181,293	-	190,658
TOTAL	85,613	3,403,222	351,065	-	3,839,900

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
TOTAL	468,692	3,596,931	360,320	-	4,425,943

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- **Financial assets designated at fair value through profit or loss:** At June 30, 2011, this category mainly includes unfinished product sale invoices and mutual fund investments made by Codelco Chile subsidiaries.
- **Loans granted and receivable:** 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 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.

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.

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- ***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.

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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.

- 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.

The following tables detail the composition of the item “other financial liabilities, current and non-current.”

Items	6/30/2011					
	Current			Non- Current		
	Loans and other payables ThUS\$	Hedge derivatives ThUS\$	Total ThUS\$	Loans and other payables ThUS\$	Hedge derivatives ThUS\$	Total ThUS\$
Loans from financial entities	425,368	-	425,368	1,197,605	-	1,197,605
Bonds	61,689	-	61,689	4,663,202	-	4,663,202
Financial Lease	21,981	-	21,981	125,492	-	125,492
Hedge obligations	-	1,185,817	1,185,817	-	492,363	492,363
Other financial liabilities	9,075	-	9,075	83,475	-	83,475
Total	518,113	1,185,817	1,703,930	6,069,774	492,363	6,562,137

Items	12/31/2010					
	Current			Non- Current		
	Loans and other payables ThUS\$	Hedge derivatives ThUS\$	Total ThUS\$	Loans and other payables ThUS\$	Hedge derivatives ThUS\$	Total 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

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At June 30, 2011, the detail of Borrowings from financial institutions and Bond obligations is as follows:

6/30/2011							
Loans with financial entities	Institution	Maturity	Rate	Currency	Amount	Type of amortization	Payment terms
Exporf Pre- Funding	Bank of Tokyo-Mitsubishi	12-22-2015	Floating	US\$	100,000	Maturity	Quarterly
Exporf Pre- Funding	HSBC Bank Bermuda Limited	12-17-2015	Floating	US\$	162,500	Maturity	Quarterly
Exporf Pre- Funding	BBVA Bancomer	9-27-2014	Floating	US\$	400,000	Maturity	Quarterly
Exporf Pre- Funding	Banco Santander	9-12-2011	Floating	US\$	200,000	Maturity	Quarterly
Exporf Pre- Funding	Export Dev. Canada	12-28-2015	Floating	US\$	250,000	Maturity	Quarterly
Exporf Pre- Funding	Export Dev. Canada	3-26-2012	Floating	US\$	200,000	Maturity	Quarterly
Exporf Pre- Funding	Banco Santander Londres	3-11-2015	Floating	US\$	75,000	Maturity	Quarterly
Exporf Pre- Funding	Banco Santander	12-23-2015	Floating	US\$	100,000	Maturity	Quarterly
Exporf Pre- Funding	Sumitomo Mitsui Banking Corporation	2-18-2016	Floating	US\$	100,000	Maturity	Quarterly
Credit line	HSBC Trinkaus & Burkhardt		Floating	US\$			
Credit line	Deutsche Bank		Floating	US\$			
	Other institutions						
TOTAL							

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Bonds	Institution	Maturity	Rate	Currency	Amount	Type of amortization	Payment interest
BCODE-A	Banco de Chile - B. en UF	9-1-2012	Fixed	U.F.	7,000,000	Maturity	Semi annual
144-A REG.S	JP-Morgan	11-30-2012	Fixed	US\$	435,000	Maturity	Semi annual
144-A REG.S	JP-Morgan	10-15-2013	Fixed	US\$	500,000	Maturity	Semi annual
144-A REG.S	HSBC USA	10-15-2014	Fixed	US\$	500,000	Maturity	Semi annual
BCODE-B	Banco de Chile - B. en UF	4-1-2025	Fixed	U.F.	6,900,000	Maturity	Semi annual
144-A REG.S	JP-Morgan	9-21-2035	Fixed	US\$	500,000	Maturity	Semi annual
144-A REG.S	The Deutsche Bank	10-24-2036	Fixed	US\$	500,000	Maturity	Semi annual
114-A REG.S	JP-Morgan	1-15-2019	Fixed	US\$	600,000	Maturity	Semi annual
114-A REG.S	HSBC USA	11-4-2020	Fixed	US\$	1,000,000	Maturity	Semi annual
TOTAL							

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At December 31, 2010, the detail of Borrowings from financial institutions and Bond obligations is as follows:

Bonds	Institution	Maturity	Rate	Currency	Amount	Type of amortization	Payment of interest
BCODE-A	Banco de Chile - B. en UF	9-1-2012	Fixed	U.F.	7,000,000	Maturity	Semi anual
144-A REG.S	JP-Morgan	11-30-2012	Fixed	US\$	435,000	Maturity	Semi anual
144-A REG.S	JP-Morgan	10-15-2013	Fixed	US\$	500,000	Maturity	Semi anual
144-A REG.S	HSBC USA	10-15-2014	Fixed	US\$	500,000	Maturity	Semi anual
BCODE-B	Banco de Chile - B. en UF	4-1-2025	Fixed	U.F.	6,900,000	Maturity	Semi anual
144-A REG.S	JP-Morgan	9-21-2035	Fixed	US\$	500,000	Maturity	Semi anual
144-A REG.S	The Deutsche Bank	10-24-2036	Fixed	US\$	500,000	Maturity	Semi anual
114-A REG.S	JP-Morgan	1-15-2019	Fixed	US\$	600,000	Maturity	Semi anual
114-A REG.S	HSBC USA	11-4-2020	Fixed	US\$	1,000,000	Maturity	Semi anual
TOTAL							

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Bonds	Institution	Maturity	Rate	Currency	Amount	Type of amortization	Payment of interest
BCODE-A	Banco de Chile - B. en UF	9/1/2012	Fixed	U.F.	7,000,000	Maturity	Semi anual
144-A REG.S	JP-Morgan	11/30/2012	Fixed	US\$	435,000	Maturity	Semi anual
144-A REG.S	JP-Morgan	10/15/2013	Fixed	US\$	500,000	Maturity	Semi anual
144-A REG.S	HSBC USA	10/15/2014	Fixed	US\$	500,000	Maturity	Semi anual
BCODE-B	Banco de Chile - B. en UF	4/1/2025	Fixed	U.F.	6,900,000	Maturity	Semi anual
144-A REG.S	JP-Morgan	9/21/2035	Fixed	US\$	500,000	Maturity	Semi anual
144-A REG.S	The Deutsche Bank	10/24/2036	Fixed	US\$	500,000	Maturity	Semi anual
114-A REG.S	JP-Morgan	1/15/2019	Fixed	US\$	600,000	Maturity	Semi anual
114-A REG.S	HSBC USA	11/4/2020	Fixed	US\$	1,000,000	Maturity	Semi anual
TOTAL							

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At June 30, 2011, the detail of amounts due undiscounted that the Corporation has with financial institutions is as follows:

6/30/2011						Current			
Debtor's name	Debtor country	Currency	Effective interest rate	Nominal rate	Type of amortization	Less than 90 days	More than 90 days	Total Current	One to three years
EXPORT DEVELOP CANADA	Canada	US\$	0.65%	0.65%	Quarterly	-	660	660	200
BANCO SANTANDER S.A.	United States of America	US\$	0.65%	0.65%	Quarterly	-	200,652	200,652	
BBVA BANCOMER	United States of America	US\$	0.50%	0.46%	Quarterly	-	809	809	3
BANCO SANTANDER LONDRES	England	US\$	1.22%	1.10%	Quarterly	209	209	419	2
HSBC BANK BERMUDA LIMITED	Bermuda	US\$	1.21%	1.10%	Quarterly	-	900	900	4
THE BANK OF TOKYO M.	United States of America	US\$	1.16%	1.06%	Quarterly	-	509	509	2
BANCO SANTANDER S.A.	United States of America	US\$	1.28%	1.16%	Quarterly	-	560	560	2
EXPORT DEVELOP CANADA	Canada	US\$	1.23%	1.11%	Quarterly	-	1,337	1,337	6
SUMITOMO MITSUI BANKING	United States of America	US\$	1.21%	1.14%	Quarterly	-	550	550	2
THE BANK OF NEW YORK	United States of America	US\$	6.48%	6.38%	Semi Annual	-	13,866	13,866	462
THE BANK OF NEW YORK	United States of America	US\$	5.57%	5.50%	Semi Annual	-	13,750	13,750	555
THE BANK OF NEW YORK	United States of America	US\$	4.99%	4.75%	Semi Annual	-	11,875	11,875	59
THE BANK OF NEW YORK	United States of America	US\$	5.78%	5.63%	Semi Annual	-	14,063	14,063	70
THE DEUTSCHE BANK	United States of America	US\$	6.22%	6.15%	Semi Annual	-	15,375	15,375	76
HSBC USA	United States of America	US\$	3.98%	3.75%	Semi Annual	-	18,750	18,750	93
THE BANK OF NEW YORK	United States of America	US\$	7.79%	7.50%	Semi Annual	22,500	22,500	45,000	90
Total ThUS\$						22,709	316,365	339,074	1,631
BANCO DE CHILE	CHILE	U.F.	3.24%	4.00%	Semi Annual	138,627	-	138,627	7,138
BANCO DE CHILE	CHILE	U.F.	4.45%	3.29%	Semi Annual	-	138,000	138,000	690
Total U.F.						138,627	138,000	276,627	7,828
Subtotal ThUS\$						6,482	6,453	12,935	366
Total ThUS\$						29,191	322,818	352,009	1,997

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At December 31, 2010, the detail of amounts due undiscounted that the Corporation has with financial institutions is as follows:

31-12-2010						Current			
Debtor's name	Debtor country	Currency	Effective interest rate	Nominal rate	Type of amortization	Less than 90 days	More than 90 days	Total Current	One to three years
BBVA BANCOMER S.A.	United States of America	US\$	0.45%	0.45%	Quarterly	453	1,358	1,811	405
BANCO SANTANDER S. A.	United States of America	US\$	0.95%	0.95%	Quarterly	360	201,465	201,825	
EDC	Canada	US\$	0.95%	0.95%	Quarterly	471	1,435	1,906	200
BANCO SANTANDER LONDRES	United States of America	US\$	1.26%	1.14%	Quarterly	141	718	859	2
HSBC BANK BERMUDA LIMITED	Bermuda	US\$	1.27%	1.15%	Quarterly	395	1,477	1,872	5
BANK OF TOKYO MITSUBISHI LTD.	United States of America	US\$	1.15%	1.05%	Quarterly	237	816	1,053	3
BANCO SANTANDER S.A.	United States of America	US\$	1.27%	1.15%	Quarterly	263	890	1,153	3
EDC	Canada	US\$	1.22%	1.10%	Quarterly	666	2,091	2,757	8
THE BANK OF NEW YORK	United States of America	US\$	6.48%	6.38%	Semi Anual	11,555	16,177	27,732	461
THE BANK OF NEW YORK	United States of America	US\$	5.57%	5.50%	Semi Anual	7,944	19,556	27,500	550
HSBC	United States of America	US\$	4.99%	4.75%	Semi Anual	6,861	16,889	23,750	567
THE BANK OF NEW YORK	United States of America	US\$	5.78%	5.63%	Semi Anual	6,094	22,031	28,125	84
DEUTSCHE BANK SECURITIES INC.	United States of America	US\$	6.22%	6.15%	Semi Anual	9,738	21,013	30,751	92
THE BANK OF NEW YORK	United States of America	US\$	7.79%	7.50%	Semi Anual	1,750	43,250	45,000	135
HSBC	United States of America	US\$	2.98%	3.75%	Semi Anual	12,917	24,583	37,500	112
Total ThUS\$						59,845	373,749	433,594	2,631
BANCO DE CHILE	CHILE	U.F.	3.24%	3.29%	Semi Anual	43,899	233,357	277,256	
BANCO DE CHILE	CHILE	U.F.	4.45%	4.00%	Semi Anual	92,000	184,000	276,000	
Total U.F.						135,899	417,357	553,256	
Subtotal ThUS\$						6,230	19,133	25,363	367
Total ThUS\$						66,075	392,882	458,957	2,999

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Payment commitments for financial leasing transactions are summarized in the following table:

Financial Leasing	6/30/2011			12/31/2010		
	Gross ThUS\$	Interest ThUS\$	Net ThUS\$	Gross ThUS\$	Interest ThUS\$	Net ThUS\$
Less than one year	28,274	(6,293)	21,981	36,810	(19,443)	17,367
Between one and five years	84,610	(32,196)	52,414	99,176	(48,376)	50,800
More than five years	128,777	(55,699)	73,078	123,539	(51,836)	71,703
Total	241,661	(94,188)	147,473	259,525	(119,655)	139,870

Contractual Financial Obligations Outstanding in millions of US\$

Contractual Financial Obligations	Total	Less than 1 year	1-2 years	2-3 years	3-5 years	More than 5 years
Long-term debt	\$ 1,623	\$ 425	\$ 136	\$ 136	\$ 925	\$ 0
Notes payable	\$ 4,725	\$ 62	\$ 761	\$ 499	\$ 496	\$ 2,907
Total	\$ 6,348	\$ 487	\$ 897	\$ 635	\$ 1,422	\$ 2,907

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.
- 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.

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- 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 June 30, 2011:

Financial Assets and liabilities at fair value with an effect in profit and loss statement	6/30/2011			
	Level 1 ThUS\$	Level 2 ThUS\$	Level 3 ThUS\$	Total ThUS\$
Financial Assets:				
Provisionally priced sales contracts	-	73,340	-	73,340
Cross Currency Swap	-	181,293	-	181,293
Mutual fund units	12,273	-	-	12,273
Metals Futures	169,772	-	-	169,772
Financial Liabilities:				
Metals Futures	1,658,170	-	-	1,658,170

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:

Item	Current Liabilities	
	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Trade payables	950,613	1,292,895
Dividends payable	-	173,134
Payables to employees	19,484	31,310
Other payables	329,030	305,937
Total	1,299,127	1,803,276

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17. Other accrued expenses and provisions

Other short-term accrued expenses and provisions as of the indicated dates are detailed as follows:

Accrued expenses and provisions	Current		Non-current	
	6/30/2011 ThUS\$	12/31/2010 ThUS\$	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Trade (1)	-	38,191	-	-
Operating (2)	36,186	22,835	-	-
Law No. 13,196	95,916	202,711	-	-
Sundry (3)	23,418	32,976	57,356	48,466
Closure (4)	-	-	1,031,335	887,142
Contingencies	-	-	149,837	121,864
Total	155,520	296,713	1,238,528	1,057,472

Accrual for employee benefits	Current		Non-current	
	6/30/2011 ThUS\$	12/31/2010 ThUS\$	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Employees' collective bargaining agreements	118,277	203,301	-	-
Employee termination benefit	50,783	37,283	757,612	809,177
Bonus	25,921	4,524	-	-
Salaries (5)	492	-	-	-
Vacation	127,779	150,000	-	-
Medical care programs (6)	488	480	377,071	304,876
Retirement plans (7)	74,043	282,414	-	-
Others	3,768	11,073	59,421	77,059
Total	401,551	689,075	1,194,104	1,191,112

- (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.
- (5) Corresponds to commitments with the Corporation's employees which have been accrued at the date of closure of the financial statements.

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- (6) Corresponds to an accrual for contributions to medical care institutions agreed upon with current and former employees.
- (7) Corresponds to an accrual for employees who have agreed to retire in accordance with plans in force for personnel retirement.

18. Employee benefits

Employee termination benefit and medical care plans

The employee termination benefit accrual covers the employee termination liabilities to be paid to employees when they leave the Corporation based on the agreements in the employment contracts or collective bargaining agreements.

The medical care plan accrual 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 accruals 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 in the period in which they occur.

Actuarial Assumptions for Determining the Employee Termination Benefit Accrual

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

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i. Reconciliation of Benefit for Years of Service balances

Movements	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$
Opening balance	846,460	719,585
Cost	25,790	18,774
Finance expense	16,597	17,219
Indemnities paid	(81,458)	(11,598)
Subtotal	807,389	743,980
(Gains) Losses from foreign exchange differences	1,006	14,790
Final balance	808,395	758,770

ii. Expenses by nature of the benefits

Movements of expenses according to the nature of the Benefits	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
Short-term benefits	800,204	705,024	428,295	262,972
Post-employment benefits	76,662	7,498	66,354	4,632
Employee termination benefits	61,042	3,752	40,205	4,249
Benefits for years of service	25,790	18,774	6,859	12,339
Total	963,968	735,048	541,713	284,192

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 company's Business and Development Plan for the next three-year period. Taking that plan as a reference, and keeping in mind the company'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 company 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 June 30, 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

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trade and other accounts payable in current liabilities in the amount of ThUS\$ 44,201. As of June 30, 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	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Foreign exchange differences on translation reserves	3,845	2,916
Cash flow hedge reserves	(633,618)	(969,571)
Other reserves	2,113,507	1,642,058
Total	1,483,734	675,403

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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)		Profit (loss)	
	6/30/2011	12/31/2010	1/1/2011	1/1/2010	4/1/2011	4/1/2010
	ThUS\$	ThUS\$	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Asociación Garantizadora de Pensiones	24	24	(1)	(1)	(1)	(1)
Biosigma S.A.	1,537	1,023	(587)	(678)	(235)	(403)
Instituto de Innovación en Minería y Metalurgia S.A.	4	4	-	-	-	-
Clínica San Lorenzo Ltda.	-	11	-	-	5	1
Micomo S.A.	888	914	(26)	(23)	(83)	(48)
Fundación de Salud El Teniente	19	18	2	(1)	3	(2)
TOTAL	2,472	1,994	(612)	(703)	(311)	(453)

20. Operating income

The following table shows the sources of the Corporation's consolidated revenue.

Item	1/1/2011	1/1/2010	4/1/2011	4/1/2010
	6/30/2011	6/30/2010	6/30/2011	6/30/2010
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue from sales of the Corporation's copper	7,951,999	6,128,051	4,036,052	3,091,715
Revenue from sale of third parties' copper	657,403	560,962	363,036	296,915
Revenue from sales of molybdenum	371,433	323,451	194,389	179,581
Revenue from sales of other products	556,961	203,301	303,346	95,261
Loss in futures market	(657,748)	(472,120)	(321,721)	(234,025)
Total	8,880,048	6,743,645	4,575,102	3,429,447

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21. Expenses by nature

The Corporation's consolidated expenses by nature are detailed as follows:

Item	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
Personnel Expenses	800,204	705,024	428,295	262,971
Depreciation	496,645	436,518	251,412	222,682
Amortization	232,828	195,621	118,883	98,341
Total	1,529,677	1,337,163	790,590	583,994

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 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
Penalties to suppliers	10,706	3,421	5,842	1,908
Realized income	-	2,389	-	1,195
Outsourcing	3,248	2,980	1,626	1,471
Miscellaneous sales (net)	53,559	46,831	11,654	25,769
Sale of E-CL S.A.	375,080	-	-	-
Sale of Inca de Oro	44,800	-	-	-
Other income	26,005	5,691	15,976	2,230
Total	513,398	61,312	35,098	32,573

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b) Other expenses by function

Item	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
Law No. 13,196	(750,937)	(523,403)	(382,521)	(286,392)
Research expenses	(32,915)	(26,448)	(17,806)	(18,564)
Bonus for the end of collective bargaining	(169,637)	(153,080)	(168,155)	(18,632)
Retirement plan	(61,042)	(3,752)	(39,867)	(4,249)
Medical care plan	(76,662)	(7,397)	(66,354)	(4,632)
Actuarial results	(135,907)	-	(135,907)	-
Other Expenses	(24,720)	(28,705)	(3,473)	(24,302)
Total	(1,251,820)	(742,785)	(814,083)	(356,771)

23. Finance costs

Finance costs are detailed as follows:

Item	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
Bond interests	(34,837)	(83,937)	8,998	(33,288)
Bank loan interests	(8,227)	(1,986)	(4,750)	(42)
Exchange differences on severance indemnity provision	(16,597)	(20,241)	(8,407)	(11,250)
Exchange differences on other non-current provisions	(34,752)	(22,109)	(21,372)	(14,782)
Other	(11,445)	(14,891)	(4,645)	(3,404)
Total	(105,858)	(143,164)	(30,176)	(62,766)

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 Company, 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

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Teniente divisions. The Ventanas division, which is also included among these divisions, is dedicated exclusively to smelting and refining processes. Each of these divisions operates under separate

management, all of which report to the Executive President. Additionally, in May 2008, the Gabriela Mistral mine site was added to the divisions specified above. The characteristics of each division and its respective mine sites are detailed as follows:

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

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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.

Parent Company Distribution

Revenue and expenses controlled by the Parent Company are allotted to the Divisions based on the criteria detailed as follows.

Main items are allocated according to the following criteria:

Sales and Cost of Sales of Parent Company commercial transactions

- Distribution to the Operating Divisions is 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 Division, is allotted directly.
- Recognition of realized profits and other income by function of subsidiaries is distributed in proportion to the operating income of each Division.
- The remaining other income is distributed in proportion to the addition of balances of “other income” and “finance income” of the respective Divisions.

Distribution costs

- Expenses associated and identified with each Division are allotted directly.
- Distribution costs of subsidiaries are allotted in proportion to the operating income of each Division.

Administrative Expenses

- Administrative expenses associated and identified with each Division 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 Division.
- Administrative expenses recorded in cost centers associated with the supply function are allocated in relation to material account balances in each division warehouse

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- The remaining administrative expenses are distributed in relation to operating cash expenses of each Division.

Other Expenses, by function

- Expenses associated and identified with each Division 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 Division

Other Earnings

- Other earnings associated and identified with each individual Division are allotted directly
- Other earnings of subsidiaries are distributed in proportion to the operating income of each Division.

Finance Income

- Finance income associated and identified with each Division is allotted directly.
- Finance income of subsidiaries is distributed in proportion to the operating income of each Division.
- The remaining finance income is distributed in relation to the operating cash expenses of each Division.

Finance costs

- Finance costs associated and identified with each Division in particular are allotted directly.
- Finance costs of subsidiaries are distributed in proportion to the operating income of each Division.

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 Division is allotted directly.

Foreign currency translation

- Foreign currency translation identifiable with each individual Division is allotted directly.
- Foreign currency translation of subsidiaries is distributed in proportion to the operating income of each Division.
- The remaining foreign currency translation is distributed in relation to operating cash expenses of each Division.

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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 Division, 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 Division, considering for this purpose the income and expenses distribution criteria of the Parent Company 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 Division.

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Financial information organized by operating segment is detailed as follows

Segments	From 1/1/2011 to 6/30/2011								
	Chuquicamata	R. Tomic	Salvador	Andina	El Teniente	Ventanas	G. Mistral	M. Hales	Total Codelco
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Revenue from sales of the Corporation's copper	2,002,434	1,743,042	588,866	1,080,500	1,802,264	291,707	451,803	-	7,938,316
Revenue from sales from third parties' copper	-	-	-	-	-	2,720	-	-	7,938,316
Revenue from sales of molybdenum	200,590	10,656	15,900	45,889	98,398	-	-	-	3,000,000
Revenue from sales of other products	265,945	-	83,629	8,225	92,329	183,994	-	-	6,000,000
Revenue from futures market	(164,343)	(149,076)	(51,609)	(102,936)	(152,352)	-	(37,069)	-	(6,000,000)
Revenue between segments	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-
Revenue from regular activities	2,304,626	1,604,622	636,786	1,031,678	1,840,639	478,421	414,734	-	8,338,316
Cost of sales of the Corporation's copper	(1,286,194)	(526,908)	(449,369)	(436,341)	(606,035)	(299,374)	(213,252)	-	(3,817,073)
Cost of sales from third parties' copper	-	-	-	-	-	(3,620)	-	-	(3,817,073)
Cost of sales of molybdenum	(34,100)	(4,274)	(4,660)	(9,282)	(16,361)	-	-	-	(6,000,000)
Cost of sales of other products	(171,354)	36,863	(56,361)	4,879	(55,163)	(183,271)	-	-	(4,000,000)
Cost of sales between segments	6,797	4,732	1,878	3,042	5,428	1,411	1,223	-	-
Other Cost of sales	-	-	-	-	-	-	-	-	-
Cost of sales	(1,484,851)	(489,587)	(508,512)	(437,702)	(672,131)	(484,854)	(212,029)	-	(4,217,073)
Gross Profit	819,775	1,115,035	128,274	593,976	1,168,508	(6,433)	202,705	-	4,021,243
Other revenue per function	89,297	34,106	23,614	32,551	90,133	12,511	7,711	-	2,000,000
Distribution costs	(1,403)	(896)	(271)	(644)	(1,117)	(260)	(225)	-	2,000,000
Administrative expenses	(63,343)	(24,268)	(17,406)	(22,385)	(50,854)	(9,049)	(14,706)	(122)	(2,000,000)
Other expenses per function	(347,274)	(175,678)	(73,216)	(115,201)	(450,709)	(47,292)	(41,109)	(241)	(1,200,000)
Other gains (losses)	-	-	-	-	-	-	-	-	-
Finance income	7,212	2,068	1,289	2,136	5,935	556	703	1	1,000,000
Finance costs	(38,030)	(4,828)	(8,913)	(19,471)	(17,666)	(1,329)	(10,963)	-	(1,000,000)
Share in the profit (loss) of associates and joint ventures accounted by the equity method	72,627	49,842	19,871	32,143	57,172	14,860	1,801	-	2,000,000
Exchange differences	5,837	(249)	(777)	1,352	10,035	(147)	629	807	-
Profit (loss) before taxes	544,698	995,132	72,465	504,457	811,437	(36,583)	146,546	445	3,000,000
Income tax expenses	(319,782)	(617,796)	(33,043)	(314,327)	(512,929)	31,886	(87,913)	(261)	(1,800,000)
Profit (loss)	224,916	377,336	39,422	190,130	298,508	(4,697)	58,633	184	1,200,000

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From 1/1/2010 to 6/30/2010								
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 Corporation's copper	2,108,841	1,027,775	471,357	417,685	1,411,233	274,584	417,627	-
Revenue from sales from third parties' copper	-	-	-	-	-	55,456	-	-
Revenue from sales of molybdenum	179,720	-	18,148	45,113	80,470	-	-	-
Revenue from sales of other products	40,161	-	40,895	1,430	37,190	124,747	-	-
Revenue from futures market	(174,513)	(77,964)	(37,944)	(34,434)	(114,924)	-	(31,456)	-
Revenue between segments								
Other revenue								
Revenue from regular activities	2,154,209	949,811	492,456	429,794	1,413,969	454,787	386,171	-
Cost of sales of the Corporation's copper	(1,283,424)	(390,977)	(363,676)	(240,679)	(587,039)	(286,234)	(193,521)	-
Cost of sales from third parties' copper	-	-	-	-	(330)	(62,499)	-	-
Cost of sales of molybdenum	(30,727)	-	(5,853)	(8,118)	(13,875)	17	-	-
Cost of sales of other products	(17,933)	-	(37,115)	6,267	(44,005)	(146,005)	-	-
Cost of sales between segments	(2,482)	(1,107)	(560)	(568)	(1,655)	(527)	(460)	-
Other Cost of sales								
Cost of sales	(1,334,566)	(392,084)	(407,204)	(243,098)	(646,904)	(495,248)	(193,981)	-
Gross Profit	819,643	557,727	85,252	186,696	767,065	(40,461)	192,190	-
Other revenue per function	10,845	2,016	6,316	15,386	22,213	1,775	99	-
Distribution costs	(1,597)	(675)	(1,696)	(379)	(1,215)	(319)	(262)	-
Administrative expenses	(46,563)	(14,676)	(14,772)	(13,598)	(43,854)	(10,105)	(11,550)	-
Other expenses per function	(362,016)	(87,169)	(41,946)	(43,358)	(149,821)	(22,357)	(35,064)	-
Other gains (losses)	-	-	-	-	-	-	-	-
Finance income	4,623	1,112	839	1,283	2,720	385	541	-
Finance costs	(45,943)	(7,885)	(2,818)	(27,368)	(34,415)	(6,691)	(15,083)	-
Share in the profit (loss) of associates and joint ventures accounted by the equity method	54,877	24,450	12,355	13,150	36,588	11,640	2,818	-
Exchange differences	22,022	(6,102)	2,908	9,193	6,336	2,431	(3,515)	-
Profit (loss) before taxes	455,891	468,798	46,438	141,005	605,617	(63,702)	130,174	-
Income tax expenses	(261,862)	(277,823)	(21,952)	(80,959)	(357,781)	43,804	(75,666)	-
Profit (loss)	194,029	190,975	24,486	60,046	247,836	(19,898)	54,508	-

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The assets and liabilities related to each operating segment, including the Corporation's corporate center (Parent Company) as of June 30, 2011 and as of December 31, 2010 are detailed in the following tables:

6/30/2011										
Balance Sheet Item	Chuquicamata ThUS\$	Radomiro Tomic ThUS\$	Salvador ThUS\$	Andina ThUS\$	El Teniente ThUS\$	Ventanas ThUS\$	G. Mistral ThUS\$	M. Hales ThUS\$	Subsidiaries and Parent net ThUS\$	Consolidated Total ThUS\$
Current Assets	1,334,409	687,598	353,992	266,785	744,842	175,669	256,108	27,292	1,836,043	5,682,738
Non-current assets	2,772,692	1,250,862	466,456	3,146,677	2,834,098	285,547	1,071,295	571,601	1,928,046	14,327,633
Current Liabilities	440,202	98,456	104,866	265,376	306,633	85,798	105	31,288	2,716,669	4,049,393
Non-current liabilities	827,355	193,874	224,997	173,472	661,431	31,217	11,850	-	8,096,002	10,330,945

12/31/2010										
Balance Sheet Item	Chuquicamata ThUS\$	Radomiro Tomic ThUS\$	Salvador ThUS\$	Andina ThUS\$	El Teniente ThUS\$	Ventanas ThUS\$	G. Mistral ThUS\$	M. Hales ThUS\$	Subsidiaries and Parent net ThUS\$	Consolidated Total 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

Revenue classified by geographical area is detailed as follows:

Revenue per geographical areas	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	1/1/2011 4/1/2011 ThUS\$	1/1/2010 4/1/2010 ThUS\$
Total revenue from local customers	603,518	543,923	305,037	278,776
Total revenue from foreign customers	8,276,530	6,199,722	4,270,065	3,150,671
Total	8,880,048	6,743,645	4,575,102	3,429,447

Revenue per geographical areas	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$
Asia	4,418,792	3,672,565	2,234,566	1,992,512
Europe	1,948,645	1,332,887	1,008,922	701,672
Others	2,512,611	1,738,193	1,331,614	735,263
Total	8,880,048	6,743,645	4,575,102	3,429,447

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.

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25. Foreign exchange differences

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' consolidated statements of income:

Gain (Loss) from foreign exchange differences recognized in income	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$	4/1/2011 6/30/2011 ThUS\$	4/1/2010 6/30/2010 ThUS\$
Gain from foreign exchange differences	176,252	102,516	64,412	46,716
Loss from foreign exchange differences	(134,379)	(71,502)	(100,820)	(19,509)
Total foreign exchange differences	41,873	31,014	(36,408)	27,207

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 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$
VAT Refund	686,823	584,615
Others	740,603	198,687
Total	1,427,426	783,302

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Other payments for operating activities	1/1/2011 6/30/2011 ThUS\$	1/1/2010 6/30/2010 ThUS\$
Contribution to the Chilean Treasury (Law No. 13,196)	(859,804)	(570,908)
Finance hedges and sales	(636,690)	(452,082)
VAT and other similar taxes paid	(667,952)	(600,268)
Total	(2,164,446)	(1,623,258)

On February, 15, 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.

Other collections from investing activities	1/1/2011 6/30/2011 ThUS\$
Sale of ECL-S.A.	1,055,351
Sale of Inca de Oro S.A.	33,000
Total	1,088,351

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.

Loss of control over subsidiaries	1/1/2011 6/30/2011 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(*)	3,154

(*) Statement of Financial Position as of December 31, 2010

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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.

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 June 30, 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\$25 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 with respect to the LIBOR rate. To manage this risk, Codelco maintains an adequate combination of fixed and variable rate debt, which

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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 June 30, 2011, a 1% change in interest rates on the financial liabilities subject to variable interest rates would mean approximately a US\$4.3 million change in finance costs.

Total fixed and variable interest rate obligations maintained by Codelco as of June 30, 2011, amount to ThUS\$ 4,724,891 y ThUS\$ 1,622,973, 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 London Metal Exchange ("LME") copper price or the monthly average market molybdenum price for specified future periods. Such a provisional sale contains an embedded derivative which is required to be separated from the host contract. 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 each reporting date, the provisionally priced metal sales are marked-to-market, with adjustments (both gains and losses) being recorded in revenues in the consolidated income statement. 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 a futures market.

As of June 30, 2011, if the future price of copper were to vary by + / - 5% (with the other variables constant), net income would vary by + / - US\$148 million as a result of the mark to market adjustment of sales revenue at provisional prices current at June 30, 2011 (ThTMF 330). 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 futures market.

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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.

Forward prices at the period end are used for copper concentrate and cathode sales, while period-end average prices are used for molybdenum concentrate sales due to the absence of a futures market.

As of June 30, 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\$5.00 million.

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.

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 Company's cash flow projections based on short and long term projections and available financing alternatives. In addition, the Company 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:

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Maturities of financial liabilities at June 30, 2011	Less than one year ThUS\$	Between one and five years ThUS\$	More than five years ThUS\$
Loans from financial institutions	425,368	1,197,605	-
Bonds	61,689	1,756,421	2,906,781
Finance leases	21,981	52,414	73,078
Derivatives	1,185,818	492,363	-
Other financial liabilities	9,075	83,475	-
Total	1,703,931	3,582,278	2,979,859

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 valuations, based on each debtor's solvency analysis and payment history.

The maximum credit risk exposure as of June 30, 2011 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, 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.

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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 June 30, 2011 and December 31, 2010, 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 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 has interest rate hedging transactions for a total of ThUS\$181,293, which mature 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 ThUS\$	Swap value ThUS\$	Exposure ThUS\$
Bond UF 2012	Banc. Chile - Jp Morgan	Swap	9/1/2012	US\$	327,308	164,482	26,026
Bond UF 2025	Credit Suisse	Swap	4/1/2025	US\$	322,632	208,519	155,267
Total					649,940	373,001	181,293

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The current methodology used to valorize the Swap

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 June 30,

2011, these operations generated lower net income of ThUS\$ 656,625 (plus an effect of higher net income equivalent to ThUS\$362 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 June 30, 2011, the Corporation performed futures market transactions that represent 537,425 metric tons of fine copper. These hedging operations are part of the Corporation's commercial policy.

The current contracts as of June 30, 2011 present a ThUS\$169,131 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 June 30, 2011 generated a net positive effect on net income of ThUS \$9,407, 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 June 30, 2011 the Corporation maintains contracts for pricing the sale of gold for ThTOZ 3 and silver for ThTOZ 696.

The negative exposure at that date is ThUS\$61.

The transactions completed between January 1 and June 30, 2011 generated a negative effect on net income of ThUS\$868, which is subtracted from the amounts received for the sales contracts of

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the products affected by these pricing transactions. These hedging transactions mature in January 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 250,800 tons of fine copper (TMF). The copper futures sales contracts mature in January 2013.

The current futures contracts as of June 30, 2011 present a ThUS\$1,657,468 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 June 30, 2011, related to production sold, generated a lower income of ThUS\$665,164, 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:

6/30/2011	Maturity Date						
ThUS\$	2011	2012	2013	2014	2015	Following	Total
Flex Com Coper (Assets)	165,547	3,975	-	-	-	-	169,522
Flex Com Copper (Liabilities)	-	-	(392)	-	-	-	(392)
Flex Com Gold/Silver	(94)	33	-	-	-	-	(61)
Copper Pricing	(556,722)	(1,019,372)	(81,374)	-	-	-	(1,657,468)
Metal options	-	-	-	-	-	-	-
Total	(391,269)	(1,015,364)	(81,766)	-	-	-	(1,488,399)

12/31/2010	Maturity Date						
ThUS\$	2011	2012	2013	2014	2015	Following	Total
Flex Com Coper (Assets)	186,631	116	-	-	-	-	186,747
Flex Com Copper (Liabilities)	(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)	(997,469)	(77,162)	-	-	-	(2,254,216)

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6/30/2011		Maturity Date					
Th TM/Onzas	2011	2012	2013	2014	2015	Following	Total
Copper futures[TM]	245.4	255.8	35.3	0,5	-	-	537.0
Gold/ Silver futures [MOZ]	618.4	80.4	-	-	-	-	698.8
Copper pricing [TM]	84.0	154.3	12.5	-	-	-	250.8

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

29. Contingencies and restrictions

i. Litigations and contingencies

There are various lawsuits and legal actions initiated by or against the Company, 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 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 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.

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A case by case analysis of these lawsuits has shown that there are a total of 305 cases that have a clearly estimated value. It is estimated that 126 of these, which represent 41% of the total and which amount to ThUS\$90,613, could have a negative impact on the Corporation. There are also 50 lawsuits, representing 16% of the total and which amount to ThUS\$53,405, about which there is no certainty that the outcome would be unfavorable for Codelco. For the 129 remaining cases, amounting to ThUS\$11,682, the Corporation's legal advisors believe that an unfavorable outcome is unlikely. In addition, there are 124 lawsuits for undetermined amounts; it is believed that the result of 57 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.

ii. Other Commitments

- a) On April 29, 2008, the Company, jointly with other companies in 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, the expense for which will be accrued according to the participating companies' consumption. 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 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.
- 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 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

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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.

In addition, Codelco granted Minmetals an option to purchase, at market price, a non-controlling interest in a company that would exploit the Gaby deposit, subject to the conditions established and authorized by Codelco to carry out this initiative.

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, on a case by case basis, in the study of new international copper mining business and exploration opportunities, mainly 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.

As of June 30, 2011, 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 (6,975 TMF outstanding at June 30, 2011), 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, 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.

- d) On January 30, 2009, the Corporation informed Anglo American Sur S.A. of its decision to postpone exercising the option it holds – which initially belonged to Empresa Nacional de Minería (ENAMI) and was 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.

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- e) 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 installments 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.

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 June 30, 2010, 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.

- 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 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.
- g) 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 June 30, 2011 and 2010, 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.

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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.

- i) On November 6, 2009, Codelco signed the following long-term electric energy supply contracts with ELECTROANDINA S.A.
- 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).

30. 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:

Direct guarantees provided to Financial institutions				
Creditor of the Guarantee	Type of Guarantee		6/30/2011	12/31/2010

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		Maturity	ThUS\$	ThUS\$
Macquarie Bank Limited	Standby Letter - Intesa Sanpaolo Bank	Ago-11	30,000	60,000
Macquarie Bank Limited	Standby Letter - Intesa Sanpaolo Bank	Ago-11	45,000	55,000
Koch Supply & Trading LP	Standby Letter - Intesa Sanpaolo Bank	Sep-11	20,000	30,000
Koch Supply & Trading LP	Standby Letter - Intesa Sanpaolo Bank	Jun-11	-	50,000
Koch Supply & Trading LP	Standby Letter - Banco Santander Chile	Ago-11	55,000	55,000
Total			150,000	250,000

Indirect Guarantees provided to Financial Institutions					
Creditor por the Guarantee	Type of Guarantee	Relationship	Type of Guarantee	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Barclays Bank PLC	Sociedad GNL Mejillones S.A.	Associate	Guarantor	74,000	100,000
Morgan Stanley Capital Group INC.	Sociedad GNL Mejillones S.A.	Associate	Guarantor	148,000	200,000
Koch Supply & Trading LP	Sociedad GNL Mejillones S.A.	Associate	Guarantor	44,400	60,000
China Development Bank	Copper Partners Investment Co. Ltd.	Joint Venture	Rights	125,232	26,635
Total				391,632	386,635

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.

Guarantees received from third parties		
Division	6/30/2011	12/31/2010
	ThUS\$	ThUS\$
Andina	40,858	50,026
Chuquicamata	61,929	52,652
Parent Company	77,012	140,949
Salvador	742	536
El Teniente	65,250	66,461
Ventanas	2,455	2,040
Total	248,246	312,664

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31. Balances in foreign currency

a) Assets by Type of Currency

Item	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Liquid assets	1,547,014	1,069,177
US Dollars	1,437,339	983,905
Euros	15,680	558
Other currencies	2,427	21,780
Non-indexed Ch\$	88,218	62,934
U.F.	3,350	-
Cash and Cash equivalents	1,369,552	874,039
US Dollars	1,265,392	792,409
Euros	14,975	-
Other currencies	2,427	21,779
Non-indexed Ch\$	83,408	59,851
U.F.	3,350	-
Other current financial assets	177,462	195,138
US Dollars	171,947	191,496
Euros	705	558
Other currencies	-	1
Non-indexed Ch\$	4,810	3,083
U.F.	-	-
Short and long term receivables	2,102,228	3,175,641
US Dollars	1,580,470	2,628,357
Euros	134,265	67,926
Other currencies	2,421	459,333
Non-indexed Ch\$	383,065	18,835
U.F.	2,006	1,190
Trade and other receivables	1,738,379	2,714,006
US Dollars	1,405,493	2,363,430
Euros	132,357	67,926
Other currencies	2,421	265,486
Non-indexed Ch\$	196,102	15,974
U.F.	2,006	1,190

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Item	6/30/2011 ThUS\$	12/31/2010 ThUS\$
Reights receivables, non-current	192,608	198,785
US Dollars	3,736	3,585
Euros	1,908	-
Other currencies	-	193,847
Non-indexed Ch\$	186,964	1,353
U.F.	-	-
Due from related companies, current	90,402	157,954
US Dollars	90,402	156,446
Euros	-	-
Other currencies	-	-
Non-indexed Ch\$	-	1,508
U.F.	-	-
Due from related companies, non-current	80,839	104,896
US Dollars	80,839	104,896
Euros	-	-
Other currencies	-	-
Non-indexed Ch\$	-	-
U.F.	-	-
Rest of assets	16,361,129	16,034,223
US Dollars	13,447,874	11,754,576
Euros	398,246	460,807
Other currencies	23,658	3,530,536
Non-indexed Ch\$	1,763,529	250,197
U.F.	727,822	38,107
Total Assets	20,010,371	20,279,041
US Dollars	16,456,683	15,366,838
Euros	548,191	529,291
Other currencies	28,506	4,011,649
Non-indexed Ch\$	2,234,813	331,966
U.F.	733,178	39,297

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

b) Liability by type of currency

Current liabilities by currency	6/30/2011		12/31/2010	
	Up to 90 days ThUS\$	From 90 days to 1 year ThUS\$	Up to 90 days ThUS\$	From 90 days to 1 year ThUS\$
Current Liabilities	2,356,847	1,692,546	3,324,919	1,918,908
US Dollars	1,623,387	1,659,899	3,072,346	1,904,206
Euros	-	23,280	-	3,979
Other currencies	30	-	95,386	25
Non-indexed Ch\$	727,388	1,760	336	-
U.F.	6,042	7,607	156,851	10,698
Other current financial liabilities	11,384	1,692,546	-	1,918,908
US Dollars	6,619	1,659,899	-	1,904,206
Euros	-	23,280	-	3,979
Other currencies	-	-	-	25
Non-indexed Ch\$	2,383	1,760	-	-
U.F.	-	7,607	-	10,698
Bank loans	-	425,368	-	340,613
US Dollars	-	400,330	-	336,440
Euros	-	23,280	-	1,060
Other currencies	-	-	-	-
Non-indexed Ch\$	-	1,758	-	-
U.F.	-	-	-	3,113
Secured debentures	-	61,689	-	61,933
US Dollars	-	54,082	-	54,348
Euros	-	-	-	-
Other currencies	-	-	-	-
Non-indexed Ch\$	-	-	-	-
U.F.	-	7,607	-	7,585

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

Current liabilities by currency	6/30/2011		12/31/2010	
	Up to 90 days ThUS\$	From 90 days to 1 year ThUS\$	Up to 90 days ThUS\$	From 90 days to 1 year ThUS\$
Finance lease	5,427	16,554	-	17,367
US Dollars	3,706	16,554	-	17,116
Euros	-	-	-	226
Other currencies	-	-	-	25
Non-indexed Ch\$	1,721	-	-	-
U.F.	-	-	-	-
Others	5,957	1,188,936	-	1,498,995
US Dollars	5,295	1,188,933	-	1,496,302
Euros	-	-	-	2,693
Other currencies	-	-	-	-
Non-indexed Ch\$	662	2	-	-
U.F.	-	-	-	-
Other current liabilities	2,345,463	-	3,324,919	-
US Dollars	1,614,386	-	3,072,346	-
Euros	-	-	-	-
Other currencies	30	-	95,386	-
Non-indexed Ch\$	725,005	-	336	-
U.F.	6,042	-	156,851	-

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 to English of interim consolidated financial statements originally issued in Spanish – see page 109)

	Non-current liabilities by currency	6/30/2011				12/31/2010		
		1 to 3 years ThUS\$	3 to 5 years ThUS\$	5 to 10 years ThUS\$	More than 10 years ThUS\$	1 to 3 years ThUS\$	3 to 5 years ThUS\$	5 to 10 years ThUS\$
Non - current liabilities		5,667,120	1,683,966	1,645,295	1,334,564	6,024,775	1,579,613	1,570,000
US Dollars		4,184,916	1,682,074	1,622,449	985,788	4,594,673	1,579,613	1,570,000
Euros		-	-	-	-	476	-	-
Other currencies		-	-	-	-	2,444	-	-
Non-index ed Ch\$		1,117,482	-	1,466	-	1,022,154	-	-
U.F.		364,722	1,892	21,380	348,776	405,028	-	-
Other non - current financial liabilities		1,898,312	1,683,966	1,645,295	1,334,564	2,710,255	1,579,613	1,570,000
US Dollars		1,555,945	1,682,074	1,622,449	985,788	2,257,146	1,579,613	1,570,000
Euros		-	-	-	-	476	-	-
Other currencies		-	-	-	-	-	-	-
Non-index ed Ch\$		13,824	-	1,466	-	64,921	-	-
U.F.		328,543	1,892	21,380	348,776	387,712	-	-
Bank Loans		13,824	1,183,781	-	-	212,350	1,083,700	-
US Dollars		-	1,183,781	-	-	212,350	1,083,700	-
Euros		-	-	-	-	-	-	-
Other currencies		-	-	-	-	-	-	-
Non-index ed Ch\$		13,824	-	-	-	-	-	-
U.F.		-	-	-	-	-	-	-
Secured Debentures		1,260,020	496,401	1,572,217	1,334,564	1,252,314	495,913	1,570,000
US Dollars		933,656	496,401	1,572,217	985,788	933,314	495,913	1,570,000
Euros		-	-	-	-	-	-	-
Other currencies		-	-	-	-	-	-	-
Non-index ed Ch\$		-	-	-	-	-	-	-
U.F.		326,364	-	-	348,776	319,000	-	-
Financial Lease		48,630	3,784	73,078	-	122,503	-	-
US Dollars		46,451	1,892	50,232	-	53,315	-	-
Euros		-	-	-	-	476	-	-
Other currencies		-	-	-	-	-	-	-
Non-index ed Ch\$		-	-	1,466	-	-	-	-
U.F.		2,179	1,892	21,380	-	68,712	-	-
Others		575,838	-	-	-	1,123,088	-	-
US Dollars		575,838	-	-	-	1,058,167	-	-
Euros		-	-	-	-	-	-	-
Other currencies		-	-	-	-	-	-	-
Non-index ed Ch\$		-	-	-	-	64,921	-	-
U.F.		-	-	-	-	-	-	-
Other non - current financial liabilities		3,768,808	-	-	-	3,314,520	-	-
US Dollars		2,628,971	-	-	-	2,337,527	-	-
Euros		-	-	-	-	-	-	-
Other currencies		-	-	-	-	2,444	-	-
Non-index ed Ch\$		1,103,658	-	-	-	957,233	-	-
U.F.		36,179	-	-	-	17,316	-	-

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

32. Sanctions

As of June 30, 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

- a) On July 8, the corporation communicated to the SVS that the Chilean Federation of Copper Workers had announced an illegal strike, for Monday, July 11, which would prevent the Corporation from producing an estimated 4,900 tons of fine copper and could generate losses of approximately US\$ 41 million. (Unaudited)
- b) On July 23, 2011, the Corporation communicated to the SVS that Codelco's Board of Directors had approved an investment of US\$ 3,039 million for the construction of the Nuevo Nivel Mina project at the El Teniente division.

The Nuevo Nivel Mina project (NNM) consists of prolonging the useful life of the El Teniente mine - , located in the municipality of Machalí - , through the construction of infrastructure with the purpose of accessing a deeper area of the same mine site that has been exploited for more than a century.

- c) On December 19, 2008, ENAMI transferred to CODELCO an option for the right to purchase up to 49% of the equity of Anglo American Sur S.A. ("Anglo Sur") (please refer to note 29 ii c); d)), a wholly-owned subsidiary of Anglo American plc ("Anglo American"), that owns 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. CODELCO has the right to exercise the option only during the month of January and only every third year, beginning in 2009 through 2027.

On October 12, 2011, CODELCO through its subsidiary Inversiones Acrux SpA., entered into an agreement with Mitsui & Co. Ltd ("Mitsui") under which Mitsui will make available to CODELCO debt financing in the form of a short-term bridge financing facility, guaranteed by CODELCO, in an amount of up to U.S.\$6.75 billion to fund the acquisition of equity under the option with Anglo American, should it elect to do so. Under another agreement, Mitsui has provided CODELCO with the option to settle a portion of the loan from Mitsui with an indirect 50% stake in the Anglo Sur shareholding acquired by CODELCO, based on a pre-determined value for the 49% interest in Anglo Sur of approximately U.S.\$9.76 billion. Any balance of the acquisition debt would be converted into a non-recourse five-year term loan, which would not be guaranteed by CODELCO. There can be no assurance that CODELCO will choose to exercise its call option to purchase an

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

equity stake in the Anglo American properties or elect to repay financing with equity acquired under the option pursuant to the terms of its agreement with Mitsui.

Codelco's Management is not aware of any other significant events, of a financial nature or otherwise, that have occurred between January 1, 2011 and the date of issuance of these financial statements (October 17, 2011) that could affect them.

34. Environment

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 Company, 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 June 30, 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 Company.

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 between January 1 and June 30, 2011 and 2010, respectively and the projected future expenses for the second quarter of the current year:

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

Such disbursements are recorded as part of the assets of the Company

Environmental Investments Projected Future Expenses	Second quarter ThUS\$
Total Codelco-Chile	92,150
Andina	21,485
Infrastructure improvements for Ovejería and Los Leones - Projected	1,000
Line enhancement for main wall stirrups	599
Construction of water trap for ballast deposit - projected	4,565
Improvement tunnel N°3 handling for Ovejería	886
Drainage construction DL D2 to port - projected	2,076
Acid water treatment DLN and projected	9,905
Construction of plug for evacuation tower N° 1	202
Slope Improvements and protection	1,045
Acquisition of independent pump equipment - projected	207
Infrastructure improvements for spill management - projected	1,000
El Teniente	52,933
Construction of 5th stage in Caren Reservoir	49,714
Liquid waste sewage solution - Sewel	3,119
Online monitoring canal residue - Tte - Projected	100
Minera Gaby	10,419
Installation of gravel dump - phase IV	8,631
Optimization Dust Collection System - phase II	376
Vision detection system	148
Vision detection system on Granulometric profile	64
Integral solution on the flexibility and vulnerability on water systems	1,200
Ventanas	
Environmental mitigation regarding to the copper concentrate stock incident at Ventana's project	7,313

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

Environmental Investments Real Nominal Expense	6/30/2011 ThUS\$	6/30/2010 ThUS\$
Total Codelco-Chile	20,162	39,420
Salvador	1,239	-
Implementation if the solution for handling of liquid waste and water	910	-
Solution for oxygen plant water treatment and water plants	329	-
Andina	4,014	7,236
Remediation works- Residue Transport Tunnels	632	-
Construction of uptake tower N°3 for Ovejería reservoir	1,837	-
Line enhancement of main wall stirrup at Ovejería reservoir	31	329
Emergency construction hydraulic barrier	1,429	-
Construction of water trap for ballast deposit - projected	74	3,167
Construction of plug for evacuation tower N°1	-	202
Slope Improvements and protection	-	1,015
Acquisition of independent pump equipment	-	209
Improvement of tunnel 3 handling of Ovejería residue- projected	-	878
Drainage construction DL D2 to port - Projected	-	1,436
Improvement of the tailing concentrator underflow control	11	-
El Teniente	14,088	28,974
Construction of the 5th stage in Caren Reservoir	12,392	26,552
Decontamination of conditioning of laboratory	133	-
Liquid waste sewage solution - Sewel	1,563	2,422
Ventanas	821	-
Overhaul interchange W23	217	-
Construction of a new temporary storage facility (respel)	604	-
Minera Gaby	-	3,210
Installation of gravel dump - phase IV	-	3,210

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CODELCO - CHILE

Consolidated Financial Statements as of December 31, 2010

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(January - December 2010)

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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 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 1st, 2009
(In thousands of US dollars - ThUS\$)

	<u>Notes</u>	<u>12-31-2010</u> ThUS\$	<u>12-31-2009</u> ThUS\$	<u>01-01-2009</u> ThUS\$
ASSETS				
Current assets:				
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		-	-	-
Total current assets		<u>5,951,476</u>	<u>4,995,564</u>	<u>3,729,946</u>
Non-current assets:				
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
Total non-current assets		<u>14,327,565</u>	<u>13,258,316</u>	<u>12,004,847</u>
TOTAL ASSETS		<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 1st, 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\$
LIABILITIES AND EQUITY				
Current liabilities				
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>
Total current liabilities		<u>5,243,827</u>	<u>4,096,615</u>	<u>3,022,841</u>
Non-current liabilities				
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>
Total non-current liabilities		<u>10,504,002</u>	<u>9,714,038</u>	<u>8,147,686</u>
Total liabilities		<u>15,747,829</u>	<u>13,810,653</u>	<u>11,170,527</u>
EQUITY				
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>
Total equity		<u>4,531,212</u>	<u>4,443,227</u>	<u>4,564,266</u>
TOTAL LIABILITIES AND EQUITY		<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 1st and December 31, 2010 and 2009
(In thousands of US dollars - ThUS\$)

	<u>Notes</u>	01-01-2010 12-31-2010 ThUS\$	01-01-2009 12-31-2009 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 1st and December 31, 2010 and 2009
(In thousands of US dollars - ThUS\$)

	<u>Notes</u>	<u>01-01-2010</u> <u>12-31-2010</u> ThUS\$	<u>01-01-2009</u> <u>12-31-2009</u> ThUS\$
Profit (loss)		1,876,321	1,174,191
Components of other comprehensive income, before tax:			
Exchange differences on translation			
Gains (losses) on exchange differences on translation, before tax		490	2,426
Other comprehensive income, before tax, exchange differences on translation		490	2,426
Cash flow hedges			
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)
Income tax relating to components of other comprehensive income:			
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
Other comprehensive income (loss)		184,998	(1,277,115)
Total comprehensive income (loss)		2,061,319	(102,924)
Comprehensive income attributable to			
Comprehensive income, attributable to owners of parent		2,062,657	(100,889)
Comprehensive income, attributable to non-controlling interest		(1,338)	(2,035)
Total comprehensive income (loss)		2,061,319	(102,924)

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 1st and December 31, 2010 and 2009

(In thousands of US (In thousands of US dollars - ThUS\$))

	Notes	01-01-2010 12-31-2010 ThUS\$	01-01-2009 12-31-2009 ThUS\$
Cash flows from (used in) operating activities:			
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
Cash flows from (used in) investing activities:			
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)
Cash flows from (used in) financing activities:			
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
Effects of exchange rate changes on cash and cash equivalents			
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\$
Equity at beginning of period 01/01/2009	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	-	-	-	-	-	-
Equity at beginning of period 01/01/2009	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						
Total increase (decrease) in equity	1,000,000	2,426	(1,045,923)	(126,592)	(1,170,089)	49,994
Equity at end of period 12/31/2009	2,524,423	2,426	(1,017,519)	1,637,733	622,640	1,294,157

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

	Issued capital	Exchange differences on transtation	Reserves for cash flow hedges	Other miscellaneous reserves	Other reserves	Retained earnings
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Equity at beginning of period 01/01/2010	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	-	-	-	-	-	-
Equity at beginning of period 01/01/2010	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.

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 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.

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.

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 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.

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 1st, 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	Clinica 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 Rio 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 Rio 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	Clinica Rio Blanco S.A.	Chile	CLP	99.000	1.000	100.000	100.000	100.000
76.064.682-2	Centro de Especialidades Médicas Rio 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	-	-	-	-	-

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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.

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- **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, 2010	December 31, 2009	January 1, 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.

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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

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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.

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

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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 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.

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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.

- 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.

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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.

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The effects of the update of the liability, due to the discount rate and/or time, are recorded as a financial expense.

- 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

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"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.

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.

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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.

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.

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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.

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- *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.

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- y) **Statement of Cash Flows** - For the purposes of preparing the statement of cash flows, the Corporation has defined the following:

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.

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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.

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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 them¹:

New IFRS	Mandatory application date
IFRS 9, <i>Financial Instruments</i>	Annual periods beginning on or after January 1, 2013
Amendments to IFRS	Mandatory application date
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
New Interpretations	Mandatory application date
IFRIC 19, Extinguishing financial liabilities with equity instruments	Annual periods beginning on or after July 1, 2010
Amendments to Interpretations	Mandatory application date
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

¹ 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.

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III. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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.

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- **Changes in Existing Liabilities for Decommissioning and Restoration** - The Corporation has measured the decommissioning obligation - at the transition date - through the calculation of 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

	Equity	
	December 31, 2009	January 1, 2009
	ThUS\$	ThUS\$
Equity under Chilean GAAP	5,308,585	3,875,692
<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
Equity under IFRS	4,443,227	4,564,266

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b) Reconciliation of Profit (Loss)

	Profit(loss) January 1, 2009 December 31, 2009 ThUS\$
Profit (loss) under Chilean GAAP	1,261,718
<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)
Profit (loss) under IFRS	1,174,191
Other Comprehensive net Income under IFRS	(1,277,115)
Total Comprehensive net Income under IFRS	(102,924)

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.

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(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

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based on a 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.

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(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.

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(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

	12-31-2009		
	Chilean GAAP	IFRS transition adjustments and reclassifications (*)	IFRS
	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:

	December 31, 2010	December 31, 2009	January 1, 2009
	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.

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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 of open invoices	Debit (credit) balance		
	December 31, 2010	December 31, 2009	January 1, 2009
	ThUS\$	ThUS\$	ThUS\$
Current assets	406,837	267,014	(95,225)
Current liabilities	-	-	(194,523)

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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, 2010 ThUS\$	December 31, 2009 ThUS\$	January 1, 2009 ThUS\$	December 31, 2010 ThUS\$	December 31, 2009 ThUS\$	January 1, 2009 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.

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The movement of the provision for doubtful accounts in the periods January to December 2010 and 2009 is as follows:

Movements of the bad debts provision	December 31, 2010	December 31, 2009
	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:

	December 31, 2010	December 31, 2009	January 1, 2009
	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.

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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.

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Transactions related through persons					1-1-201
Company	Taxpayer number	Country	Nature of the relationship	Description of the transaction	Amount 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

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b) Key Personnel of the Corporation

In accordance with the policy established by the Board of Directors and its related regulation, those Directors, its Executive President, Vice presidents, Corporate Auditor, the members of the Divisional General Managers should be approved by this Board.

During 2010 and 2009, the members of the Board of Directors have received the following remunerations and fees:

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 Larrain	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

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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%.

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- 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.

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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

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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.

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4. Inventories

The inventories at December 31, 2010, December 31, 2009 and January 1, 2009 are detailed as follows:

	December 31, 2010 ThUS\$	December 31, 2009 ThUS\$	January 1, 2009 ThUS\$
Finished products	418,394	315,838	384,232
Subtotal finished products, net	418,394	315,838	384,232
Products in process	1,055,664	908,764	891,454
Subtotal products in process, net	1,055,664	908,764	891,454
Materials in warehouse and others	381,932	318,011	360,356
Obsolescence provision adjustment	(73,484)	(70,837)	(89,444)
Subtotal products in process, net	308,448	247,174	270,912
Total inventories	1,782,506	1,471,776	1,546,598

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.

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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.

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The following table shows the detail of the deferred tax assets and liabilities:

	December 31, 2010	December 31, 2009	January 1, 2009
	ThUS\$	ThUS\$	ThUS\$
Deferred tax assets:			
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
Deferred tax liabilities:			
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 (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, 2010	December 31, 2009	January 1, 2009
	ThUS\$	ThUS\$	ThUS\$
Deferred taxes affecting equity			
Cash flow hedge	(63,560)	1,394,332	37,651
Total deferred taxes affecting equity	(63,560)	1,394,332	37,651

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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 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)	-	(100,091)	-	(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 base 17%	Taxable base 40%	Tax rate 17%	Additional tax rate 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

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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:

	December 31, 2010	December 31, 2009	January 1, 2009
	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	194,226	147,866	436,954

b) Current Tax liabilities

This item shows the income tax liabilities, net of monthly provisional payments:

	December 31, 2010	December 31, 2009	January 1, 2009
	ThUS\$	ThUS\$	ThUS\$
Income tax payable	307,952	63,636	4,628

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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, 2010 ThUS\$	December 31, 2009 ThUS\$	January 1, 2009 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, 2010 ThUS\$	December 31, 2009 ThUS\$	January 1, 2009 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, 2010 ThUS\$	December 31, 2009 ThUS\$	January 1, 2009 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>

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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	Mine development	Other 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 in progress	Land	Buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Land improvements	Mining operations	Mine development	Other 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.

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Reconciliation of property, plant and equipment, net at January 1, 2009 between Chilean GAAP and IFRS	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:

	Equity Method			Accrued net income	
	December 31, 2010	December 31, 2009	January 1, 2009	01-01-2010 12-31-2010	01-01-2009 12-31-2009
	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.

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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

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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 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:

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- 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.

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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.

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Associates	Taxpayer number	Functional 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 until December 31, 2009), Codelco had directly and indirectly a 66.75% interest in Inversiones Mejillones-1 S.A. and Inversiones Mejillones-2 S.A. (existing until December 31, 2009), Codelco had control or management of these; therefore, according to IFRS, they did not satisfy the conditions for 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., 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.

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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:

Assets and Liabilities	December 31, 2010	December 31, 2009	January 1, 2009
	<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
Net income		01-01-2010 12-31-2010	01-01-2009 12-31-2009
		<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>
Movements of Investments in Associates		01-01-2010 12-31-2010	01-01-2009 12-31-2009
		<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>

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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	12-31-2009	01-01-2009	12-31-2010	12-31-2009	01-01-2009	01-01-2010	01-01-2009
			%	%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Copper Partners Investment Company	Foreign	USD	50%	50%	50%	26,635	-	117,600	15,788	23,018

Assets and Liabilities	December 31, 2010	December 31, 2009	January 1, 2009
	ThUS\$	ThUS\$	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
Income		01-01-2010 12-31-2010	01-01-2009 12-31-2009
		ThUS\$	ThUS\$
Revenue		434,426	309,902
Costs of sales		(402,850)	(263,867)
Profit (Loss)		31,576	46,035
Movements of investments in joint ventures		01-01-2010 12-31-2010	01-01-2009 12-31-2009
		ThUS\$	ThUS\$
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	-

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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 table¹:

Entity	December 31, 2010 ThUS\$	December 31, 2009 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 percentage	Negative equity	
		December 31, 2010 ThUS\$	December 31, 2009 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.

¹ 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>

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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.

9. Subsidiaries

The following tables present a detail of the assets, liabilities and results of the Corporation's subsidiaries, prior to consolidation adjustments:

	December 31, 2010	December 31, 2009	January 1, 2009
Assets and Liabilities	<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
		01-01-2010 12-31-2010	01-01-2009 12-31-2009
		<u>ThUS\$</u>	<u>ThUS\$</u>
Income			
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>

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10. Intangible Assets Other Than Goodwill

a) Balance of Intangible Assets

Intangibles assets, gross	December 31, 2010	December 31, 2009	January 1, 2009
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Software Licenses	474	536	950
Water Rights	12,172	12,172	10,627
Others	15,806	15,540	13,310
Total	<u>28,452</u>	<u>28,248</u>	<u>24,887</u>
Intangibles assets, acumulated amortization	December 31, 2010	December 31, 2009	January 1, 2009
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Software Licenses	346	318	229
Water Rights	6,550	6,550	6,550
Others	-	-	-
Total	<u>6,896</u>	<u>6,868</u>	<u>6,779</u>
Intangibles assets, neto	December 31, 2010	December 31, 2009	January 1, 2009
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Software Licenses	128	218	721
Water Rights	5,622	5,622	4,077
Others	15,806	15,540	13,310
Total	<u>21,556</u>	<u>21,380</u>	<u>18,108</u>

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b) Movement of Intangible Assets

Movements of Intangible Assets	Software licenses	Water rights	Others	Total
Movements	ThUS\$	ThUS\$	ThUS\$	ThUS\$
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>
Final balance 12.31.2009	<u>218</u>	<u>5,622</u>	<u>15,540</u>	<u>21,380</u>
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>
Final balance 12.31.2010	<u>128</u>	<u>5,622</u>	<u>15,806</u>	<u>21,556</u>

c) Research and Development

Research and development	1-1-2010 12-31-2010	1-1-2009 12-31-2009
	ThUS\$	ThUS\$
Disbursements for research and development recognized as expenses in the period	72,375	86,864

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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, 2010	December 31, 2009	January 1, 2009
	<u>ThUS\$</u>	<u>ThUS\$</u>	<u>ThUS\$</u>
Anglo American Purchase Option (1)	155,700	155,700	155,700
Reserved Law Asset (2)	38,199	41,864	45,530
Others	<u>9,606</u>	<u>8,568</u>	<u>25,684</u>
Total	<u>203,505</u>	<u>206,132</u>	<u>226,914</u>

- (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.

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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

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- **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.

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- 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.

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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

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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

Items	January 1, 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	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

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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
Loans with financial entities:								
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								
Bonds:								
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								

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Type of Debt	Institution	Maturity	Rate	Currency	Amount	Type of amortization	Payment of interest	Nominal rate
Loans with financial entities:								
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								
Bonds:								
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								

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Type of Debt	Institution	Maturity	Rate	Currency	Amount	Type of amortization	Payment of interest	Nominal rate
Loans with financial entities:								
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								
Bonds:								
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								

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The amounts due undiscounted that the Corporation has with financial institutions are summarized as follows:

December 31, 2010								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	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

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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

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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%	Quarterly	60,467	-	60,467
Codelco Chile	Chile	ABN-AMOR Bank N.V.	United states of America	US\$	3.11625%	3.11625%	Quarterly	141,091	-	141,091
Codelco Chile	Chile	The Bank of Tokyo-Mitsubishi	United states of America	US\$	3.56625%	3.56625%	Quarterly	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%	Quarterly	1,138	3,415	4,553
Codelco Chile	Chile	BBVA Bancomer	United states of America	US\$	1.59130%	1.59130%	Quarterly	1,609	4,774	6,383
Codelco Chile	Chile	The Bank of Tokyo	United states of America	US\$	1.71625%	1.71625%	Quarterly	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

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Payment commitments for financial leasing transactions are summarized in the following table:

	December 31, 2010			December 31, 2009			January 1, 2009		
	Gross ThUS\$	Interest ThUS\$	Net ThUS\$	Gross ThUS\$	Interest ThUS\$	Net ThUS\$	Gross ThUS\$	Interest ThUS\$	Net ThUS\$
Financial Lease									
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
Total	259,525	(119,655)	139,870	277,451	(124,399)	153,052	291,442	(146,001)	145,441

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 ThUS\$
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	
Assets	5,951,476	14,327,565	20,279,041	20,279,041
Liabilities				
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 ThUS\$
	Current ThUS\$	Non-current ThUS\$	Total ThUS\$	
Assets	4,995,564	13,258,316	18,253,880	18,253,880
Liabilities				
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.

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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 ThUS\$	Level 2 ThUS\$	Level 3 ThUS\$	Total ThUS\$
Financial assets at fair value recorded in profit/loss				
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
Financial liabilities at fair value recorded in profit/loss				
Futures	2,441,236	-	-	2,441,236

No transfers between different levels of markets values were observed for the reporting period.

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16. Trade and Other Payables

Total trade payables, current and non-current, are shown in the following table:

Item	Current Liabilities		
	12-31-2010 ThUS\$	12-31-2009 ThUS\$	01-01-2009 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 ThUS\$	12-31-2009 ThUS\$	01-01-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$	01-01-2009 ThUS\$
Other provisions, current / non-current						
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>
Current provisions for employees' benefits						
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.

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- (4) Corresponds to a provision for future closing costs primarily related to tailing dams, mine closure and other asset.
- (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

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ii. Reconciliation of Service Indemnity balances

	01-01-2010 12-31-2010	01-01-2009 12-31-2009
	ThUS\$	ThUS\$
Movements		
Opening balance	719,585	503,541
Cost	43,187	32,498
Financial expense	35,976	28,261
Taxes Paid	<u>(22,379)</u>	<u>(25,579)</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

	01-01-2010 12-31-2010	01-01-2009 12-31-2009
	ThUS\$	ThUS\$
Movements of Expenses according to the Nature of the Benefits		
Benefits:		
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.

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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 ThUS\$	12-31-2009 ThUS\$	01-01-2009 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
Total	675,403	622,640	1,792,729

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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 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$	12-31-2009 ThUS\$	12-31-2010 ThUS\$
Main IFRS adjustments credited/(debited) to retained earnings					
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
Total	791,707	680,402	575,804	(111,305)	(104,598)

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 ThUS\$	12-31-2009 ThUS\$	01-01-2009 ThUS\$	01-01-2010 12-31-2010 ThUS\$	01-01-2009 12-31-2009 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)
Total	1,994	2,007	2,951	(1,338)	(2,035)

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20. Revenue

The following table shows the sources of the Corporation's consolidated revenue.

Item	01-01-2010 12-31-2010	01-01-2009 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	16,065,946	12,379,137

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 12-31-2010	01-01-2009 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	141,473	308,363

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b) Other Expenses by Function

Item	01-01-2010 12-31-2010 ThUS\$	01-01-2009 12-31-2009 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 12-31-2010 ThUS\$	01-01-2009 12-31-2009 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:

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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

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Subsidiaries. In 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.

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The following tables detail the information according to the Corporation's operating segments:

Segments	At December 31, 2009						
	Chuquicamata ThUS\$	R. Tomic ThUS\$	Salvador ThUS\$	Andina ThUS\$	El Teniente ThUS\$	Ventanas ThUS\$	G. Mistral 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

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	At December 31, 2009							
Segments	Chuquicamata ThUS\$	R. Tomic ThUS\$	Salvador ThUS\$	Andina ThUS\$	El Teniente ThUS\$	Ventanas ThUS\$	G. Mistral ThUS\$	M. Hales 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	-

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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									
	Chuquicamata ThUS\$	R. Tomic ThUS\$	Salvador ThUS\$	Andina ThUS\$	El Teniente ThUS\$	Ventanas ThUS\$	G. Mistral ThUS\$	M. Hales ThUS\$	Parent Company ThUS\$	Consolidated 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									
	Chuquicamata ThUS\$	R. Tomic ThUS\$	Salvador ThUS\$	Andina ThUS\$	El Teniente ThUS\$	Ventanas ThUS\$	G. Mistral ThUS\$	M. Hales ThUS\$	Parent Company ThUS\$	Consolidated 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 ThUS\$	12-31-2009 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 12-31-2010 ThUS\$	01-01-2009 12-31-2009 ThUS\$
Profit from exchange differences	84,996	188,478
Loss from exchange differences	(287,520)	(455,009)
Total exchange differences	(202,524)	(266,531)

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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:

	12-31-2010	12-31-2009
	ThUS\$	ThUS\$
Other collections from operating activities:		
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>
	12-31-2010	12-31-2009
	ThUS\$	ThUS\$
Other payments for operating activities:		
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.

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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.

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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.

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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 one year ThUS\$	Between one year and five years ThUS\$	More than five years 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.

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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.

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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	Bank	Type of Derivative Contract	December 31, 2010		
			Amount of hedged item ThUS\$	Swap Value ThUS\$	Exposure 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:

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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

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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.

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 ThUS\$	2011 ThUS\$	2012 ThUS\$	2013 ThUS\$	2014 ThUS\$	Following ThUS\$
Flex Com Copper (assets)	-	186,776	(3,637)	-	-	-
Flex Com Copper (liabilities)	-	(29,192)	-	-	-	-
Flex Com Gold/Silver	-	245	-	-	-	-
Cooper Pricing	-	(1,450,766)	(957,641)	-	-	-
Metal options	-	-	-	-	-	-
Total	-	(1,292,937)	(961,278)	-	-	-

	December 31, 2009					
	Maturity Date					
	2010 ThUS\$	2011 ThUS\$	2012 ThUS\$	2013 ThUS\$	2014 ThUS\$	Following ThUS\$
Flex Com Copper (assets)	284,761	74	-	-	-	-
Flex Com Copper (liabilities)	(1,323)	-	-	-	-	-
Flex Com Gold/Silver	203	-	-	-	-	-
Cooper Pricing	(1,088,384)	(994,183)	(693,128)	-	-	-
Metal options	-	-	-	-	-	-
Total	(804,743)	(994,109)	(693,128)	-	-	-

	December 31, 2010					
	Maturity Date					
	2010 Th MT/OZ	2011 Th MT/OZ	2012 Th MT/OZ	2013 Th MT/OZ	2014 Th MT/OZ	Following Th MT/OZ
Copper Futures [MT]	-	422	26	-	1	-
Gold / Silver Futures [OZ]	-	997	-	-	-	-
Copper Pricing [MT]	-	202	150	-	-	-
Metal Options [MT]	-	-	-	-	-	-

	December 31, 2009					
	Maturity Date					
	2010 Th MT/OZ	2011 Th MT/OZ	2012 Th MT/OZ	2013 Th MT/OZ	2014 Th MT/OZ	Following Th MT/OZ
Copper Futures [MT]	360	22	-	-	-	-
Gold / Silver Futures [OZ]	260	-	-	-	-	-
Copper Pricing [MT]	252	216	150	-	-	-
Metal Options [MT]	-	-	-	-	-	-

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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.

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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.

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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.

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- 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:
- 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.

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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:
- 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 M W, 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
Sempra 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 Guaranteed Amount ThUS\$	December 31, 2009 Guaranteed Amount ThUS\$	January 1, 2009 Guaranteed Amount 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 ThUS\$	12-31-2009 ThUS\$	01-01-2009 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> ThUS\$	<u>12-31-2009</u> 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> ThUS\$	<u>12-31-2009</u> 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 90 days ThUS\$	From 90 days to 1 year ThUS\$	Until 90 days ThUS\$	From 90 days to 1 year ThUS\$
Current liabilities by currency				
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
Current liabilities	3,324,919	1,918,908	-	4,096,615
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
Other current financial liabilities	-	1,918,908	-	1,394,422
US dollars	-	336,440	-	211,268
Euros	-	1,060	-	2,071
Other currencies	-	-	-	-
Non-indexed Ch\$	-	-	-	-
U.F.	-	3,113	-	1,687
Bank loans	-	340,613	-	215,026
US dollars	-	54,348	-	48,303
Euros	-	-	-	-
Other currencies	-	-	-	-
Non-indexed Ch\$	-	-	-	-
U.F.	-	7,585	-	6,880
Secured debentures	-	61,933	-	55,183

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\$
Current liabilities by currency				
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 currencies)

	December 31, 2010				December 31, 2009			
	From 1 year to 3 years ThUS\$	From 3 to 5 years ThUS\$	From 5 to 10 years ThUS\$	More than 10 years ThUS\$	From 1 year to 3 years ThUS\$	From 3 to 5 years ThUS\$	From 5 to 10 years ThUS\$	More than 10 years ThUS\$
Non-current liabilities by currency								
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
Non-current liabilities	6,024,775	1,579,613	1,570,977	1,328,637	7,392,116	1,014,785	20,777	1,286,000
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
Other non-current financial liabilities	2,710,255	1,579,613	1,570,977	1,328,637	4,016,604	1,014,785	20,777	1,286,000
US dollars	212,350	1,083,700	-	-	397,186	398,593	-	-
Euros	-	-	-	-	-	-	-	-
Other currencies	-	-	-	-	-	-	-	-
Non-indexed Ch\$	-	-	-	-	-	-	-	-
U.F.	-	-	-	-	-	-	-	-
Bank loans	212,350	1,083,700	-	-	397,186	398,593	-	-
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
Secured debentures	1,252,314	495,913	1,570,977	1,328,637	1,720,547	595,059	-	1,286,000
US dollars	53,315	-	-	-	67,871	-	-	-
Euros	476	-	-	-	-	-	-	-
Other currencies	-	-	-	-	-	-	-	-
Non-indexed Ch\$	-	-	-	-	-	-	-	-
U.F.	68,712	-	-	-	64,447	-	-	-
Financial lease	122,503	-	-	-	132,318	-	-	-
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	-
Others	1,123,088	-	-	-	1,766,553	21,133	20,777	-
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	-	-	-
Other non-current liabilities	3,314,520	-	-	-	3,375,512	-	-	-

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 Projected Future Expenses	2011 ThUS\$
Total Codelco-Chile	21,066
Andina	18,096
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
El Teniente	2,970
Online monitoring canal residue - Tte - projected	100
Liquid waste sewage solution - Sewel	2,870

Environmental Investments Real Nominal Expense	12-31-2010 ThUS\$	12-31-2009 ThUS\$
Total Codelco - Chile	61,620	44,550
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
Andina	10,492	25,123

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	-
El Teniente	48,399	14,493
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
Ventanas	1,395	384
Silencer discharge 3 and 4	-	53
Overhaul interchange W23	246	307
Construction of new temporary storage facility (respel)	1,149	24

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Corporación Nacional del Cobre de Chile (the "Company") and subsidiaries as of December 31, 2008 and 2009, and the related consolidated statements of income and of cash flows for each of the two years in the period ended December 31, 2009. These financial statements (including the related notes) are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on these financial statements based on our audits. We have not audited the financial statements as of December 31, 2008 and 2009, of certain investees and subsidiaries. Those financial statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for such investees and subsidiaries, is based solely on the reports of such other auditors. As of December 31, 2008 and 2009, the direct and indirect investment of the Company in such investees combined with the total assets of such subsidiaries represent 7.6% and 7.7% of the total consolidated assets of the Company, respectively. The Company's share in net income of these investees in 2008 and 2009 combined with the total sales of these subsidiaries represent 9.6% and 9.0%, respectively, of the total consolidated sales of the Company.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports from other auditors, such 2008 and 2009 consolidated financial statements, fairly present, in all material respects, the financial position of Corporación Nacional del Cobre de Chile and subsidiaries as of December 31, 2008 and 2009, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in Chile.

As indicated in Note 32, on January 1, 2010 the Company will adopt International Financial Reporting Standards as its generally accepted accounting principles.

The accompanying financial statements have been translated into English solely for the convenience of readers outside of Chile.


February 22, 2010
Santiago, Chile

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2009

(In thousands of U.S. dollars - ThUS\$)

ASSETS	Notes	As of December 31,	
		2008	2009
		ThUS\$	ThUS\$
CURRENT:			
Cash and banks		25,351	24,057
Time deposits	31	353,469	595,322
Marketable securities		8,145	10,640
Trade receivables, net	4	494,402	1,453,481
Notes receivable, net	4	281	96
Other receivables, net	4	334,956	350,337
Due from related companies	5	115,484	114,619
Inventories, net	6	1,546,632	1,470,896
Recoverable taxes		445,952	147,084
Prepaid expenses		15,604	13,741
Deferred taxes	7	232,692	130,891
Other current assets		8,300	146,289
Total current assets		3,581,268	4,457,453
PROPERTY, PLANT AND EQUIPMENT:			
Land	8	62,672	80,357
Buildings and infrastructure	8	9,041,543	10,301,025
Machinery and equipment	8	8,243,011	8,474,658
Other plant and equipment	8	181,708	206,249
Technical appraisal revaluation	8	367,693	362,896
Accumulated depreciation	8	(9,682,744)	(10,221,008)
Net property, plant and equipment		8,213,883	9,204,177
OTHER ASSETS:			
Investments in related companies	9	1,076,780	1,115,200
Investments in other companies		2,354	2,007
Goodwill	10	19,319	18,143
Negative goodwill	10	(310)	-
Long-term receivables	4	177,302	227,384
Due from related companies	5	224	296,626
Intangibles		24,537	28,360
Accumulated amortization		(6,550)	(6,550)
Other assets	11	617,853	696,297
Total other assets		1,911,509	2,377,467
TOTAL ASSETS		13,706,660	16,039,097

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND 2009

(In thousands of U.S. dollars - ThUS\$)

LIABILITIES AND EQUITY	Notes	As of December 31,	
		2008	2009
		ThUS\$	ThUS\$
CURRENT LIABILITIES:			
Banks and financial institutions:			
Current	12	557,846	215,403
Current portion of long-term debt	12	300,365	152
Current portion of bonds payable	14	336,849	55,183
Accounts payable		763,776	800,166
Notes payable		12	25
Miscellaneous payables		90,465	173,993
Due to related companies	5	112,764	185,674
Accruals	15	483,979	495,892
Withholdings		261,830	377,691
Income taxes payable		3,352	62,279
Deferred income		14,935	113,073
Other current liabilities		11,993	9,203
Total current liabilities		2,938,166	2,488,734
LONG-TERM LIABILITIES:			
Due to banks and financial institutions	13	650,000	800,000
Bonds payable	14	2,903,522	3,609,060
Notes payable		75,528	111,645
Miscellaneous payables		306,458	279,627
Due to related companies	5	429,665	388,767
Accruals	15	1,679,087	1,959,606
Deferred taxes	7	758,013	1,011,893
Other long-term liabilities		87,799	78,088
Total long-term liabilities		6,890,072	8,238,686
MINORITY INTEREST	17	2,730	3,092
EQUITY:			
Paid-in capital	18	1,524,423	2,524,423
Other reserves	18	1,757,914	1,773,465
Retained earnings:			
Retained earnings	18	500,000	500,000
Net income for the year	18	1,566,775	1,261,718
Profit distributions to the Chilean Treasury	18	(1,473,420)	(751,021)
Total net equity		3,875,692	5,308,585
TOTAL LIABILITIES AND EQUITY		13,706,660	16,039,097

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2009
(In thousands of U.S. dollars - ThUS\$)

	<u>Notes</u>	<u>2008</u>	<u>2009</u>
		ThUS\$	ThUS\$
SALES		14,424,756	12,147,819
COST OF SALES		<u>(8,840,972)</u>	<u>(7,454,172)</u>
GROSS PROFIT		5,583,784	4,693,647
ADMINISTRATIVE AND SELLING EXPENSES		<u>(354,186)</u>	<u>(309,093)</u>
OPERATING INCOME		<u>5,229,598</u>	<u>4,384,554</u>
Interest income		57,357	27,256
Equity in income of related companies	9	297,076	325,116
Other income	19	199,253	269,150
Equity in losses of related companies	9	(13,470)	(1,691)
Amortization of goodwill		(1,176)	(1,176)
Interest expense		(238,073)	(238,933)
Other expenses	19	(1,949,689)	(1,364,944)
Price level restatement	20	759	(313)
Foreign exchange differences	21	<u>228,646</u>	<u>(288,541)</u>
NON-OPERATING EXPENSES, NET		<u>(1,419,317)</u>	<u>(1,274,076)</u>
INCOME BEFORE INCOME TAXES		3,810,281	3,110,478
INCOME TAXES	7	<u>(2,245,965)</u>	<u>(1,850,811)</u>
INCOME BEFORE MINORITY INTEREST		1,564,316	1,259,667
MINORITY INTEREST	17	<u>2,418</u>	<u>2,051</u>
NET PROFIT		1,566,734	1,261,718
Amortization of negative goodwill	10	<u>41</u>	<u>-</u>
NET INCOME FOR THE YEAR	18	<u><u>1,566,775</u></u>	<u><u>1,261,718</u></u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2009

(In thousands of U.S. dollars - ThUS\$)

	<u>Notes</u>	<u>2008</u> ThUS\$	<u>2009</u> ThUS\$
NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Collection of accounts receivable		16,038,164	11,701,738
Interest income collected		21,004	9,977
Dividends and other distributions collected		240,954	47,447
Other income collected	23	1,551,354	1,520,165
Payments to suppliers and personnel		(8,998,270)	(7,491,602)
Interest paid		(241,690)	(251,347)
Income taxes paid		(2,138,552)	(320,560)
Law No. 13,196 and other expenses paid	23	(2,122,282)	(1,236,523)
Value added tax and other similar taxes paid		(1,108,075)	(980,512)
Net cash provided by operating activities		<u>3,242,607</u>	<u>2,998,783</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES:			
Loans obtained		886,100	1,505,450
Bonds issued		-	600,000
Other financing sources	23	-	100,000
Profit distributions to the Chilean Treasury		(3,231,784)	(835,692)
Loan payment		(400,000)	(1,994,398)
Payment of bonds		-	(300,000)
Net cash used in financing activities		<u>(2,745,684)</u>	<u>(924,640)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment		10,881	-
Proceeds from sales of permanent investments		3,770	-
Proceeds from sale of other investments		14,070	-
Other investment income	23	18,603	91,917
Purchases of property, plant and equipment		(1,975,490)	(1,644,571)
Investments in related companies		(186,654)	(69,274)
Investments in financial instruments		(27,390)	(13,349)
Loans to related companies		(42,213)	(195,812)
Other investment disbursements		(2,184,423)	(1,831,089)
Net cash used in investing activities		<u>(2,184,423)</u>	<u>(1,831,089)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT		<u>(1,687,500)</u>	<u>243,054</u>
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		<u>2,074,465</u>	<u>386,965</u>
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR		<u>386,965</u>	<u>630,019</u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED DECEMBER 31, 2009
(In thousands of U.S. dollar - ThUS\$)

	<u>Notes</u>	<u>2008</u> ThUS\$	<u>2009</u> ThUS\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the year	18	1,566,775	1,261,718
Proceeds from sales of assets:			
Proceeds from sales of property, plant and equipment		(9,795)	(4,523)
Proceeds from sales of investments		(1,667)	(2,245)
Charges (credits) to income which do not represent cash flows:			
Depreciation		657,459	686,396
Amortization of assets		346,368	398,900
Write-off and provisions		515,672	11,115
Equity in income of related companies	9	(297,076)	(325,116)
Equity in losses of related companies	9	13,470	1,691
Amortization of goodwill	10	1,176	1,176
Amortization of negative goodwill	10	(41)	-
Price level restatement, net	20	(759)	313
Foreign exchange differences	21	(228,646)	288,541
Other credits to income which do not represent cash flows		(76,318)	(101,720)
(Increase) decrease in assets that affect operating cash flows:			
Accounts receivable		488,217	(1,161,696)
Inventories		157,918	75,736
Other assets		319,481	398,535
Increase (decrease) in liabilities that affect operating cash flows:			
Accounts payable related to operating activities		(189,525)	69,015
Interest payable		(4,525)	(3,661)
Income taxes payable		(18,012)	958,927
Value added tax and other similar taxes payable		4,853	447,732
Minority interest	17	<u>(2,418)</u>	<u>(2,051)</u>
Net cash provided by operating activities		<u><u>3,242,607</u></u>	<u><u>2,998,783</u></u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 1 - DESCRIPTION OF THE BUSINESS

Corporación Nacional del Cobre de Chile, Codelco - Chile (“Codelco”, or the “Company”) is registered under the Securities Registry N°785 of the Superintendency of Securities and Insurance (“Superintendency”) and is subject to the supervision of said Superintendency (in accordance to article 10 of Law N°20,392, which will take effect on March 1st 2010, and said supervision will be on the same terms as the public registered companies not withstanding Decree Law N°1,349 of 1976 created by the Chilean Copper Commission).

The Company was formed as stipulated by Decree Law (D.L.) N°1,350 of 1976, which is the statutory decree of Codelco. 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 currently carries out its mining business through its divisions Codelco Norte (made up of the following former divisions: divisions Chuquicamata and Radomiro Tomic), Salvador, Andina, El Teniente and Ventanas. Also, in May 2008, Codelco started exploiting the ore deposit known as Gabriela Mistral whose mining operations are under the responsibility of Minera Gaby S.A. 100% owned by the Company. The Company also carries out similar activities in other mining deposits in association with third parties.

In accordance with letter e) of Article 10 of said Law N°20,392, Codelco is governed by its organic standards set forth in the Decree Law N°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 public registered companies and the common law as applicable to them.

In accordance with Decree Law N°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 Investments Budget and a Debt Amortization Budget.

The tax system applicable to Codelco's income is in accordance with Article 26 of Decree Law N°1,350 regarding Decree Law N°824 on Income Tax, of 1974 and Decree Law N°2,398 (Article 2) of 1978, which are applicable. Also, in this regard the Company’s income is subject to a tax in accordance with Law N°20,026 of 2005 on the Specific Mining Tax.

In addition to the above, the Company is subject to Law N°13,196 that requires the payment of a 10% contribution 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 the Value Added Tax (VAT) Law in accordance with the Decree Law N°825 of 1974; and also to the duties and other taxes levying business activities carried out by companies in Chile.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

a. Accounting periods - These consolidated financial statements reflect the financial position of the Company and its subsidiaries as of December 31, 2008 and 2009 and the results of their operations and cash flows for each of the two years in the period ended December 31, 2009.

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

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

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

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

Entity	As of December 31, Equity Investment			
	2008	2009		
	Total %	Direct %	Indirect %	Total %
Chile Copper Limited - England	100.0000	99.9900	0.0100	100.0000
Codelco Services Limited - England	100.0000	-	100.0000	100.0000
Codelco Group USA Inc. - United States	100.0000	99.9900	0.0100	100.0000
Codelco Metals Inc. - United States	100.0000	-	100.0000	100.0000
Copper Technology Investment Inc. - United States	100.0000	-	-	-
Semi Solid Metal Investors Llc. - United States	100.0000	-	-	-
Corporación del Cobre (USA) Inc. - United States	100.0000	-	100.0000	100.0000
Codelco International Limited - Bermudas	100.0000	100.0000	-	100.0000
Codelco Technologies Ltd. - Bermudas	100.0000	-	100.0000	100.0000
Codelco do Brasil Mineracao S.A. - Brazil	100.0000	-	100.0000	100.0000
Codelco K�pferhandel GMBH - Germany	100.0000	99.9900	0.0100	100.0000
Metall Agentur GMBH - Germany	100.0000	-	100.0000	100.0000
Ecometales Ltda.	100.0000	-	100.0000	100.0000
Mining Information Communications and Monitoring S.A.	66.0000	66.0000	-	66.0000
Compa��a Minera Picacho SCM	100.0000	99.9900	0.0100	100.0000
Compa��a Contractual Minera Los Andes	100.0000	99.9700	0.0300	100.0000
Isapre Chuquicamata Limitada	98.3000	98.3000	-	98.3000
Elaboradora de Cobre Chilena Limitada	100.0000	99.0000	1.0000	100.0000
Asociaci��n Garantizadora de Pensiones	96.6900	96.6900	-	96.6900
Prestadora de Servicios San Lorenzo Limitada	99.9500	99.9500	-	99.9500
Isapre R��o Blanco Limitada	99.9901	99.9900	0.0001	99.9901

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

Entity	As of December 31, Equity Investment			
	2008	2009		
	Total %	Direct %	Indirect %	Total %
Ejecutora Proyecto Hospital del Cobre Calama	100.0000	99.9900	0.0100	100.0000
Complejo Portuario Mejillones S.A.	100.0000	99.9900	0.0100	100.0000
Instituto de Innovación en Minería y Metalurgia S.A.	99.9300	99.9300	-	99.9300
Santiago de Río Grande S.A.	100.0000	99.9800	0.0200	100.0000
Biosigma S.A.	66.6700	66.6700	0.0000	66.6700
Exploraciones Mineras Andinas S.A.	100.0000	99.9000	0.1000	100.0000
Clínica Río Blanco S.A.	100.0000	99.0000	1.0000	100.0000
Minera Gaby S.A.	100.0000	99.9000	0.1000	100.0000
Sociedad de Inversiones Copperfield Limitada	100.0000	99.9852	0.0148	100.0000
Energía Minera S.A.	100.0000	99.0000	1.0000	100.0000
Termoeléctrica Farellones S.A.	100.0000	99.0000	1.0000	100.0000
Ecosea Farming S.A.	90.0000	-	68.4000	68.4000
San Lorenzo Institución de Salud Previsional	99.0000	-	99.0000	99.0000
Biosigma Bermudas Ltda. (Bermudas)	66.6700	-	66.6700	66.6700
Innovaciones en Cobre S.A.	100.0000	0.0100	99.9900	100.0000
Inca de Oro S.A.	-	79.7400	20.2600	100.0000
Centro Especialidades Médicas Río Blanco Ltda.	-	99.0000	1.0000	100.0000

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

Although Codelco at December 31, 2009, as a result of the split of Inversiones Mejillones S.A. (existing at December 31, 2008) described in Note 9, directly and indirectly owns 66.75% of Inversiones Mejillones - 1 S.A. and Inversiones Mejillones - 2 S.A., the Company does not have control nor the management of them, and therefore, in accordance with generally accepted accounting principles in Chile, the conditions required to consolidate these subsidiaries are not met and they have, therefore, been accounted for using the equity method of accounting.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

The participations are:

Inversiones Mejillones - 1 S.A.

At December 31, 2009, Codelco directly owns 34.8% of Inversiones Mejillones - 1 S.A. and an indirect ownership interest through Inversiones Tocopilla 2A S.A., in which Codelco has a 49% interest and its strategic partner Suez Energy Andino S.A. has an interest of 51%. At December 31, 2009, Inversiones Tocopilla 2A S.A. owns 65.2% of the shares of Inversiones Mejillones - 1 S.A.

Inversiones Mejillones - 2 S.A.

At December 31, 2009, Codelco directly owns 34.8% of Inversiones Mejillones - 2 S.A. and an indirect ownership interest through Inversiones Tocopilla 2B S.A., in which Codelco has a 49% interest and its strategic partner Suez Energy Andino S.A. has an interest of 51%. At December 31, 2009, Inversiones Tocopilla 2B S.A. owns 65.2% of the shares of Inversiones Mejillones - 2 S.A.

Although at December 31, 2008, Codelco directly and indirectly owned 66.75% of Inversiones Mejillones - 1 S.A. and Inversiones Mejillones - 2 S.A. it had no control nor the management of them and therefore, in accordance with generally accepted accounting principles in Chile, did not meet the conditions to incorporate them in the consolidated financial statement of Codelco.

The participations are:

Electroandina S.A.

At December 31, 2008, Codelco directly owned 34.8% of Electroandina S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco had an ownership interest of 49% and its strategic partner Suez Energy Andino S.A. had an interest of 51%. Inversiones Tocopilla Ltda. owned 65.2% of the shares of Electroandina S.A.

Inversiones Mejillones S.A.

At December 31, 2008, Codelco directly owned 34.8% of Inversiones Mejillones S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco had an ownership interest of 49% and its strategic partner Suez Energy Andino S.A. had an interest of 51%. Inversiones Tocopilla Ltda. owned 65.2% of the shares of Inversiones Mejillones S.A.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

e. Constant currency restatement - The financial statements of the Chilean subsidiaries, which keep their accounting records in Chilean pesos, have been price-level restated to recognize the effects of the variation in the currency's purchasing power during each period in accordance with price-level restatement regulations. Restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for the years ended December 31, 2008 and 2009 were 8.9% and -2.3%, respectively.

f. Basis of conversion

Assets and liabilities in local currency

The Chilean peso assets and liabilities mainly composed of cash, other receivables, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each period-end of Ch\$636.45 per US dollar as of December 31, 2008 and Ch\$507.10 per US dollar as of December 31, 2009.

UF-Denominated Assets and Liabilities

At December 31, 2008 and 2009, assets and liabilities denominated in Chilean pesos or UF (an inflation index-linked unit used in Chile) have been translated using the U.S. dollar rates effective at the end of each period (2008: Ch\$636.45; 2009: Ch\$507.10) and the UF value on the closing dates of the financial statements (2008: Ch\$21,452.57; 2009: Ch\$20,942.88).

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

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

The average exchange rates for the period from January 1st to December 31, 2008 and 2009 were Ch\$520.35 and Ch\$559.15 per US dollar.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

Chilean Subsidiaries

Assets and liabilities and income statement accounts in Chilean pesos as of December 31, 2008 and 2009 have been translated into US dollars at the exchange rates on those dates (2008: Ch\$636.45 and 2009: Ch\$507.10 per US dollar).

Foreign subsidiaries

As of December 31, 2008 and 2009, respectively, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the exchange rates as of the respective period-end, as follows:

	2008	2009
	US\$	US\$
Pound sterling - UK	1.44279	1.60617
Euro	1.41223	1.43328
Mexican peso	0.07234	0.07404

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

h. Marketable securities - Marketable securities include mutual fund units and other investments defined as marketable securities stated at the lower of cost or market value.

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

- **Finished products and products in process:**

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

- **Materials in warehouse:** Materials in warehouse are valued at acquisition cost.

The Company calculates an obsolescence provision depending on the length of time in stock of materials experiencing slow turnover.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

- **Materials in transit:** Materials in transit are valued at the cost incurred.

The provisions related to lower realization values are made using the information available at the period-end.

j. Allowance for doubtful accounts - The Company records an allowance for doubtful accounts based on Management's experience and analysis, as well as the aging of the balances.

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

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

The ore bodies owned by the Company are recorded in the accounts at US\$1 each. In accordance with the above, the economic value of these ore bodies differs from their accounting value.

l. Depreciation - Depreciation of property, plant and equipment is calculated based on the book values of property, plant and equipment, using the straight-line method over the estimated useful lives of the assets.

m. Exploration, mine development and mine operating costs and expenses

- **Deposit exploration and drilling expenses:** Deposit exploration and drilling expenses are incurred in the identification of mineral deposits and the determination of their possible commercial viability and are charged to income as incurred.
- **Mine pre-operation and development costs (property, plant and equipment):** Costs incurred during the development phase of projects up to the production stage are capitalized and amortized under the production unit method over the estimated period of future mineral production. These costs include extraction of waste material, constructing the mine's infrastructure and other work carried out prior to the normal production phase.
- **Expenses of developing existing mines:** These expenses are incurred for the purpose of maintaining the production volumes from deposits and are charged to income as incurred.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

- Costs of delineating new deposit areas of exploitation and of mining operations (property, plant and equipment): These costs are recorded in property, plant and equipment and are amortized under the production unit method to income over the period in which the benefits are obtained.

n. Leased assets - Property, plant and equipment under finance leasing contracts are recorded as other plant and equipment. These leased assets have been valued at their net present value applying the implicit interest rate in the contracts and are depreciated using the straight-line method over the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase options.

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

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

Non monetary transactions of investment in related companies are recorded at the fair value of the given asset.

p. Investments in other companies - The item Investments in other companies represents the value of the shares that the Company has acquired for its operations but has no significant influence over their operations. These investments are recorded at cost, which does not exceed market value.

q. Intangibles - Intangibles are recorded at the amount of the disbursements made and are amortized in accordance with Technical Bulletin No. 55 issued by the Chilean Institute of Accountants.

r. Income tax and deferred income taxes - Include taxes on first category taxable income and the specific mining activity tax according to D.L. N°824 of 1974, and Article 2 of D.L. N°2,398 of 1978; as well as the specific tax on mining activity referred to in Law N°20,026 of 2005.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

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

s. Severance indemnities and other long-term benefits - The Company has an agreement with its employees for the payment of severance indemnities. It is the Company's policy to provide for the total obligation accrued at nominal value.

Additionally, the Company has recorded the necessary provisions for the payment of health benefits agreed with the employees and ex-employees. The provisions are calculated at net present value using a discount rate which is equivalent to the interest rate applied in all its financing operations and with a term of 10 years.

The Company, following its operational optimization programs to reduce costs and increase labor productivity, facilitated by the incorporation of new modern technologies, and/or best management practices, has established personal severance programs - through the related addendum to the contracts or collective labor agreements - with benefits that encourage retirement, for which the necessary provisions for the total obligation accrued at nominal value are made when the employee commits to his/her retirement.

t. Revenue recognition - Revenue for sales overseas are recognized at the time of shipment or delivery of the products in conformity with contractual agreements and is subject to variations in contents and/or the sales price at the transaction settlement date. A provision made for estimated decreases in sales values on unsettled operations at the end of the period based on the information available as of the date the financial statements is prepared and is presented as a reduction of trade receivables or in accounts payable, as applicable. Sales in Chile are recorded in accordance with Chilean regulations under the Articles 7, 8 and 9 of Law N°16,624, amended by Article 15 of Decree Law N°1,349 of 1976, on setting the selling price prevailing in the domestic market.

According to the note related to metal future market hedging policies, the Company carries out operations in future markets recording the final effects of these hedging transactions at the settlement date of the contracts. These results are added or deducted from sales.

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

- Hedging policies for exchange and interest rates

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

The Company contracts exchange rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transactions are made in. The Company also contracts interest rate hedge transactions to cover fluctuations of interest rates of obligations denominated in US dollars. In accordance with policies of the Board these operations are performed only when the Company has inventory (assets or liabilities) or an underlying flow behind it, and not for investment or speculative reasons.

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

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

- Hedging policies for future metal prices

In accordance with the policies approved by the Board of Directors, the Company 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.

With the transactions that are carried out, the Company takes advantage of the opportunities provided by the market, which do not imply a risk for the Company. When the sale agreements are fulfilled and the future contracts are settled, income from the sales and future operations are offset.

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

In accordance with the provisions of Technical Bulletin N°57 of the Chilean Institute of Accountants, 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.

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

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

w. Research and development expenses - Research and development expenses are charged to income in the period in which they are incurred.

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

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

y. Bonds - Bonds are presented at outstanding principal plus accrued interest at each period-end. The discount on bond issuance is capitalized as deferred expenses and the premium is capitalized as deferred income, and both are amortized using the straight-line method over the term of the bonds and are classified in the item Other Assets under Other Assets or in the item Other Long-Term Liabilities under Long-Term Liabilities, respectively.

z. Closure costs - The Company has established a policy of accruing for future closure costs, which mainly relate to the closure of tailing dams, mining operations and other assets, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the recording of a mine's closure costs during its exploitation stage.

This accrual is calculated at net present value using a discount rate that is equivalent to the interest rate at which the Company obtains its financing and with a term according to the mining plan of each Division.

aa. Law N°13,196 - The amount is included in the item Other Expenses in the statement of income.

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

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED (CONTINUED)

ad. Goodwill - Goodwill is determined using the purchase method in accordance with the standards established by the Technical Bulletin N°72 of the Chilean Institute of Accountants. Goodwill is amortized over the period in which the benefits are expected to be obtained.

ae. Negative goodwill - Negative goodwill corresponds to the investment made in Alliance Copper Ltd. by our subsidiary Codelco Technologies Limited in July 2006, and results from the difference generated between the cost of the investment and the equity method of accounting at the purchase date, in accordance with Technical Bulletin N°72 of the Chilean Institute of Accountants.

af. Operations with resale and repurchase agreement - Purchases of financial instruments with resale and repurchase agreements are recorded at cost plus accrued interest and restatements at the period-end in accordance with the clauses of the respective contracts.

ag. Reclassification - Certain 2008 figures have been reclassified to be comparative with 2009 figures.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

At December 31, 2009, there are no changes in accounting policies and accounting criteria described in Note 2, with respect to the previous year.

NOTE 4 - CURRENT AND LONG-TERM RECEIVABLES

Current and long - term trade receivables, notes and other receivables and related allowances for doubtful accounts as of December 31, 2008 and 2009 are as follows:

	Current						Long-term	
	Less than 90 days		90 days to 1 year		Total			
	2008	2009	2008	2009	2008	2009	2008	2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade receivables	495,887	1,454,935	-	-	495,887	1,454,935	-	-
Allowance for doubtful accounts	-	-	-	-	(1,485)	(1,454)	-	-
Total					494,402	1,453,481	-	-
Notes receivable	281	96	-	-	281	96	-	-
Other receivables	74,752	77,757	265,030	275,684	339,782	353,441	177,302	227,384
Allowance for doubtful accounts	-	-	-	-	(4,826)	(3,104)	-	-
Total					334,956	350,337	177,302	227,384

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 4 - CURRENT AND LONG-TERM RECEIVABLES S (CONTINUED)

Current and long-term accounts receivable, notes and other receivables by geographical segment as of December 31, 2008 and 2009 are as follows:

Country / Region	As of December 31,			
	2008		2009	
	ThUS\$	%	ThUS\$	%
Chile	533,225	52.95	711,447	35.02
Europe and Africa	108,469	10.77	420,814	20.72
Asia	308,922	30.68	771,478	37.98
North America	56,325	5.59	101,086	4.98
Rest of South America	-	-	26,473	1.30
Total	<u>1,006,941</u>	<u>100.00</u>	<u>2,031,298</u>	<u>100.00</u>

Additional information

According to the criteria described in Note 2t, at December 31, 2008, trade receivables are presented net of the provisional pricing adjustment of ThUS\$289,748 (ThUS\$3,909 at December 31, 2009) for unfinalized invoices for unsettled operations at the end of the year.

This allowance, in accordance with the outstanding balances of customers, is presented in the balance sheet as follows:

- Customers with outstanding balances due to the Corporation - A portion of the allowance for 2009 amounting to ThUS\$3,99, is presented within current assets, as a deduction from the outstanding balances from such customers (ThUS\$95,225 in 2008); and
- Customers with no outstanding balances due to the Corporation – At December 31, 2008 the allowance recorded was ThUS\$194,523 and is presented as trade accounts payable within current liabilities. No allowance has been recorded as of December 31, 2009.

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

Accounts receivable and payable to related Companies are presented in the balance sheets.

a. Related transactions

Codelco Chile's Board of Directors has established the policy according to which business with individuals and companies related to the Corporation should be conducted. This has been monitored by Management since December 1, 1995 through Corporate Regulation N°18 and its related administrative procedures.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

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 Internal Auditor, Divisional Chief Executive Officers 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.

This prohibition also includes those 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.

For purposes of this regulation, second and third hierarchical level positions in the Divisions, and Managers and Assistant Managers in the Parent Company are considered as senior supervisory positions.

In accordance with the policy established by the Board of Directors and its related regulation, those transactions affecting the Directors, its Executive President, Vice-presidents, Corporate Internal Auditor, the members of the Divisional Boards of Directors and Divisional Chief Executive Officers should be approved by this Board.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

The Board of Directors became aware of transactions regulated by Corporate Regulation N°18 which, in accordance with this internal policy, should be approved by it. The main transactions are indicated below for the total amounts, which should be performed in the terms specified by each agreement.

Company name	Nature of the relationship	Amount of Transaction	
		2008 ThUS\$	2009 ThUS\$
Industrial Support Company Ltda.	Relative of an executive	-	3,432
B. Bosch S.A.	Executive's spouse	708	-
CMS Tecnología S.A.	Investment in other company	-	7,913
Instituto de Innovación en Minería y Metalurgia S.A.	Subsidiary	-	39,500
Compañía de Petróleos de Chile S.A.	Director's participation	1,082	248
Ara Worley Parsons S.A.	Executive participation	357	-
Carmen Pavez Díaz	Executive's spouse	81	-
Ingeniería Eléctrica Transboch Ltda.	Executive's spouse	4,984	-
Quadrem Chile Ltda.	Investment in other company	69	225
R & Q Ingeniería S.A.	Relative of an executive	1,609	4,879
Juan Patricio Alvear Arriagada	Relative of an executive	-	60
Insitu Ingeniería Construcción y Servicios S.A.	Relative of an executive	742	299
Domingo Iraola Vera	Relative of an executive	-	3,150
Prodalam S.A.	Director's participation	714	1,790
Mining Industry Robotic Solutions S.A.	Investee	5,000	1,073
Prodinsa S.A.	Director's participation	170	1,303
Petricio industrial S.A.	Relative of an executive	-	223
Dynal Industry S.A.	Relative of an executive	23	-
Biosigma S.A.	Subsidiary	3,912	-
Transelec S.A.	Relative of an executive	13	-
SKM Minmetals Ltda.	Relative of an executive	-	7,236
Ecometales Limited (Ex ACL Limited)	Subsidiary	34,500	14,199
Exploraciones Mineras Andinas S.A.	Subsidiary	-	44,700
Idesol Ingenieros S.A.	Relative of an employee	28	-
S y S Consultores Ltda.	Relative of an employee	13	-
Consorcio Ara Worley Parson-SNC LAVALIN	Executive's participation	3,029	-

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

**NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES
(CONTINUED)**

b. Directors' Remuneration

During 2008 and 2009, the members of the Board of Directors have received the following amounts as per diems, remunerations and fees:

b.1 Directors' Per Diems

Name	Amount of transaction	
	2008	2009
	ThUS\$	ThUS\$
Santiago González Larraín	20	19
Andrés Velasco Brañes	20	19
Nicolás Majluf Sapag	57	59
Jorge Bande Bruck	57	59
Eduardo Gordon Valcárcel	31	-
Jorge Candia Díaz	57	59
Raimundo Espinoza Concha	57	59
Gustavo González Jure	25	59

b.2 Remuneration

	Amount of transaction	
	2008	2009
	ThUS\$	ThUS\$
Jorge Candia Díaz	84	86
Raimundo Espinoza Concha	55	34

b.3 Fees

	Amount of transaction	
	2008	2009
	ThUS\$	ThUS\$
Nicolás Majluf Sapag	39	27
Jorge Bande Bruck	39	27

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

c. Operations with Codelco investees

The Company also has commercial and financial transactions that are necessary for its operations with entities in which it has a participation in equity. Financial transactions are mainly loans in current account. The conditions of loans to related companies that are current as of December 31, 2008 and 2009 are detailed as follows:

Loans receivable:

Company	Transaction	2008		2009	
		Interest	Term	Interest	Term
Electroandina S.A. (1)	Line of credit	Libor+0.75% per annum	4 years	-	-
Electroandina S.A. (2)	Line of credit	Libor+1% per annum	2 years	-	-
Edelnor S.A. (3)	Mortgage	-	-	Libor+90 days +3% per annum	18 months
Edelnor S.A. (4)	Loan	-	-	Libor+90 days +3% per annum	18 months
Central Termoeléctrica Andina S.A. (5)	Loan	-	-	Libor+90 days +3% per annum	1 month
Edelnor S.A. (6)	Loan	-	-	Libor+90 days +3% per annum	18 months
Sociedad GNL Mejillones S.A.	Loan	-	-	Libor +3% per annum	28 quarters
CMS Tecnología S.A.	Mortgage	Libor 2.5 % per annum	3 years	-	-

(1) Direct line of credit

(2) Line of credit in guarantee for external credits

(1), (2) and (3) On July 24, 2009, the commercial account was modified in which the loan granted under the line of credit opening contract and the loan granted under the Shareholders Support Agreement ((1) and (2)) are included, to a LIBOR 180 days +3% annual rate with a 17-month term. Later, on December 29, 2009, within the merging operation of companies linked to Codelco and Suez Group, this commercial account contract was terminated early and converted into a mortgage with a LIBOR 90-day + 3% annual rate and six-quarters term. On December 30, this mortgage was transferred to Edelnor S.A. for the latter to take on payment of this debt under the conditions agreed upon (3), a situation that is effective at December 31, 2009.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

(4) On November 6, within the merging operation of companies linked to Codelco and Suez Group, and as a result of the Central Termoeléctrica Andina S.A. (CTA) share sale to Codelco by Suez Energy Andino S.A., the latter rendered the Corporation a loan in benefit of Suez Energy Andino S.A. in which CTA was the debtor. Later, on December 30, this loan was transferred to Edelnor S.A. for this company to take on payment of the debt under the conditions agreed upon, a situation that is effective at December 31, 2009.

(5) Through debt recognition dated November 24, 2009, Central Termoeléctrica Andina S.A. (CTA) acknowledges that it owes the Company an amount associated to the execution of the construction, installation, and start-up project for a thermoelectric plant of the steam/coal type with an approximate power of 165 megawatts that CTA is executing in the Mejillones District.

(6) On December 23, 2009, within the merging operation of companies linked to Codelco and Grupo Suez, Inversiones Tocopilla 1 S.A. distributed dividends to Codelco and Suez Energy Andino S.A., which were documented by mutual consent. Later, on December 29, 2009, due to the absorption of Inversiones Tocopilla 1 S.A. by Edelnor S.A., the merged entity took on the debt.

Loans payable:

Company	Transaction	2008		2009	
		Interest	Term	Interest	Term
Electroandina S.A.	Leasing	23.3% annual	74 months	23.3% annual	74 months
Electroandina S.A. (7)	Leasing	8% annual	40 months	8% annual	40 months

(7) The subsidiary Minera Gaby S.A. has commissioned the design, construction, assembly and start up of the power supply line project by means of a finance lease. Via this contract, Electroandina will assume ownership of the line project from provisional acceptance to the day on which Minera Gaby S.A. pays installment number 41, on which date it is agreed that the ownership of the line project will be transferred to Minera Gaby S.A. This line project has been operating since December 2007.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

c.1 Notes and accounts receivable from related companies:

Company name	As of December 31,			
	Current		Long-term	
	2008 ThUS\$	2009 ThUS\$	2008 ThUS\$	2009 ThUS\$
Copper Partners Investment Company Ltd.	9,708	8,685	-	-
Soc. Contractual Minera El Abra	2,746	5,842	-	-
Electroandina S.A.	101,741	-	-	-
Edelnor S.A.	-	369	-	112,775
Agua de la Falda S.A.	-	-	224	224
CMS Tecnología S.A.	1,275	-	-	-
Sociedad GNL Mejillones S.A.	14	30,293	-	170,278
Suez Energy Andino S.A.	-	69,387	-	-
Central Termoeléctrica Andina S.A.	-	43	-	13,349
Total	<u>115,484</u>	<u>114,619</u>	<u>224</u>	<u>296,626</u>

c.2 Notes and accounts payable to related companies:

Company name	As of December 31,			
	Current		Long - term	
	2008 ThUS\$	2009 ThUS\$	2008 ThUS\$	2009 ThUS\$
Copper Partners Investment Company Ltd.	36,667	36,667	418,635	381,975
Kairos Mining S.A.	-	10,765	-	-
Mining Industry Robotic Solutions S.A.	115	828	-	-
Quadrem Chile Ltda.	-	241	-	-
Edelnor S.A.	-	19,920	-	-
Sociedad Contractual Minera El Abra	17,457	43,703	-	-
Electroandina S.A.	52,736	69,041	3,354	907
CMS Tecnología S.A.	830	-	-	-
Distrinor S.A.	<u>4,959</u>	<u>4,509</u>	<u>7,676</u>	<u>5,885</u>
Total	<u>112,764</u>	<u>185,674</u>	<u>429,665</u>	<u>388,767</u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

c.3 Transactions

Commercial transactions with related companies correspond to the purchase and sale of products or services at market conditions and values and they are not subject to interest or readjustments. These companies are: Sociedad GNL Mejillones S.A., Copper Partners Investments Company Ltd., Sociedad Contractual Minera Purén, Kairos Mining S.A., MI Robotic Solutions S.A., Sociedad Contractual Minera El Abra, CMS Tecnología S.A., Inversiones Mejillones S.A., Inversiones Mejillones Tres S.A., Inversiones Tocopilla Ltda., Inversiones Tocopilla S.A., Inversiones Tocopilla Uno S.A., Electroandina S.A. and Edelnor S.A., Central Termoeléctrica Andina, Distrinor S.A., Suez Energy Andino S.A., The detail is as follows:

Company name	Relationship	Description of the Transaction	As of December 31,			
			2008		2009	
			Amount ThUS\$	Effect on income gain (loss) ThUS\$	Amount ThUS\$	Effect on income gain (loss) ThUS\$
Coppert Partner Investment Company Ltd.		Sale of products	149,899	149,899	153,496	153,496
		Dividends collected	-	-	-	-
		Reimbursement of expenses	97,882	-	44,805	-
Edelnor S.A.	Investee	Notes payable	-	-	19,920	-
		Loans	-	-	113,144	-
Sociedad Contractual Minera Purén	Investee	Dividends collected	15,750	-	-	-
Sociedad GNL Mejillones S.A.	Investee	Loans	-	-	200,500	-
		Interest	-	-	-	-
		Capital contribution	145,000	-	67,500	-
		Purchase of services	-	-	-	-
		Reimbursements	22	-	1,646	-
		Capital reduction	-	-	200,500	-
Kairos Mining S.A.	Investee	Purchase of services	-	-	17,185	(17,185)
S.C. Minera El Abra	Investee	Purchase of products	474,571	(474,571)	373,861	(373,861)
		Sale of products	59,380	59,380	54,776	54,776
		Purchase of services	6,116	(6,116)	4,138	(4,138)
		Commissions earned	176	176	166	166
		Dividends collected	183,750	-	-	-

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NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

Company name	Relationship	Description of the Transaction	As of December 31,			
			2008		2009	
			Amount ThUS\$	Effect on income gain (loss) ThUS\$	Amount ThUS\$	Effect on income gain (loss) ThUS\$
Electroandina S.A.	Investee	Interest income	3,580	3,580	3,472	3,472
		Purchase of electricity	414,890	(414,890)	509,438	(509,438)
		Gas supply				
		Supply contract		-		-
		Capital contribution	24,537	-	-	-
		Maintenance services	630	(630)	614	(614)
		Loans	27,391	-	-	-
		Loans recovery	-	-	53,400	-
Inversiones Mejillones S.A.	Investee	Dividends collected	25,570	-	13,976	-
Inversiones Mejillones Tres S.A.	Investee	Sale of shares	-	-	32	-
Inversiones Tocopilla Ltda.	Investee	Dividends received	15,885	-	12,831	-
Inversiones Tocopilla S.A.	Investee	Capital contribution	14,836	-	-	-
Inversiones Tocopilla Uno S.A.	Investee	Capital increase	-	-	171,486	-
		Capital increase	-	-	19,920	-
		Dividends received	-	-	34,973	-
Central Termoeléctrica Andina	Investee	Loans	-	-	13,392	-
C.M.S. Tecnología S.A.	Investee	Purchase of services	36,783	(36,783)	-	-
		Interest income	-	-	-	-
Distrinor S.A.	Subsidiary of Investee	Purchase of services	1,361	(1,361)	986	(986)
		Gas supply	6,596	(6,596)	4,910	(4,910)
Suez Energy Andino S.A.	Parent of Investee	Acquisition of shares	-	-	21,695	-
		Sales of shares	-	-	172,500	39,940
		Acquisition of rights	-	-	30,416	-
Mining Industry Robotic Solutions	Investee	Capital contribution	2,281	-	200	-
		Purchase of services	126	(126)	2,656	(2,656)

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 5 - BALANCES AND TRANSACTIONS WITH RELATED COMPANIES (CONTINUED)

d. Other information

At December 31, 2008 and 2009, the short-term and long-term accounts payable to the investee Copper Partners Investment Company Ltd. correspond to the balance of the advance received (US\$550 million) in accordance with the commercial agreement with Minmetals (Note 25c).

At December 31, 2009, the Suez Energy Andino S.A. short-term account receivable corresponds to the net receivable balance from the sale of 18% of Codelco's shares in Inversiones Tocopilla 1 S.A. before this company's absorption by Edelnor S.A.

On November 6, 2009, Codelco entered into the following long-term electricity supply contracts with Electroandina S.A.:

a. Contract replacing the one entered into on November 22, 1995, for the provision of electric power at the Chuquicamata site, effective for fifteen years as of January 2010, supplying between 200 and 280 MW, and the associated electric power. The contract involves an approximate cost of ThUS\$1,380 million for the entire period.

b. Modification of contract entered into on December 21, 1995, for the supply of electricity for the Radomiro Tomic site for a maximum power of 110 MW, and through which new prices for power and energy are established as of January 2010, as well as a new price adjustment formula.

At December 31, 2008, the short term account receivable from the associated company Electroandina S.A. corresponds to the line of credit balance to be repaid according to the Shareholders Agreement.

NOTE 6 - INVENTORIES

The breakdown of inventories is as follows:

	As of December 31,	
	2008	2009
	ThUS\$	ThUS\$
Finished products	421,731	345,895
Work in progress	853,311	877,826
Materials in warehouse and others, net	271,590	247,175
Total	<u>1,546,632</u>	<u>1,470,896</u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 6 - INVENTORIES (CONTINUED)

In 2008, the Company started operation activities related to the Gabriela Mistral deposit; therefore the total amount of inventories includes MTF30,446.7 (MTF5,158.7 corresponding to finished products and MTF25,281 to products in process) from this deposit for ThUS\$49,192 in 2009 (2008; MTF22,701, equivalent to ThUS\$52,112).

At December 31, 2009 finished products are presented net of unrealized profits of ThUS\$34,538 (2008; ThUS\$809), corresponding to purchase and sale operations with investees, which in accordance with generally accepted accounting principles in Chile, have to be deducted from the items that originated them.

At December 31, 2009 finished products and products in process do not present and adjustment of provision for lower realization value, whereas in 2008, said provision amounts to ThUS\$7,293 and ThUS\$34,539, respectively.

The value of material in warehouse and others are presented net of the obsolescence allowance for materials in warehouse of ThUS\$70,836 as of December 31, 2009 (December 31, 2008, ThUS\$89,444).

NOTE 7 - INCOME AND DEFERRED TAXES

a. Deferred taxes:

The deferred tax calculated in accordance with the policy described in Note 2r) represents a net liability of ThUS\$525,321 at December 31, 2008. At December 31, 2009 deferred taxes represent a net liability of ThUS\$881,002.

b. Income taxes:

At December 31, 2008 and 2009 the charge to income for first category income tax was the following:

	2008 ThUS\$	2009 ThUS\$
First category income tax (17%)	530,467	369,134
D.L. 2,398 (40%)	1,351,073	952,019
Specific tax on mining activity (5%)	<u>210,756</u>	<u>169,762</u>
Total income taxes	<u><u>2,092,296</u></u>	<u><u>1,490,915</u></u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 7 - INCOME AND DEFERRED TAXES (CONTINUED)

At December 31, 2008, this income tax provision is presented in the recoverable taxes item in current assets, net of estimated provisional monthly tax payments for ThUS\$2,430,143 and other tax credits. At December 31, 2009 this provision is presented in current liabilities under the tax payable item, net of estimated provisional monthly tax payments and other tax credits for ThUS\$1,435,241 which include ThUS\$900,000 corresponding to the payment of provisional voluntary tax recognized by the Chilean I.R.S.

At December 31, 2008 and 2009, the subsidiaries' income tax provision amounted to a charge to income of ThUS\$1,537 and a credit to income of ThUS\$2,912, respectively.

c. Deferred taxes:

The detail of deferred taxes is as follows:

	As of December 31,						
	2008				2009		
	Asset		Liability		Asset		Liability
	Current ThUS\$	Long-term ThUS\$	Current ThUS\$	Long-term ThUS\$	Current ThUS\$	Long-term ThUS\$	Long-term ThUS\$
Temporary differences							
Allowance for doubtful accounts	-	2,751	-	-	-	1,904	-
Deferred income	230	259,522	-	-	12,501	238,626	-
Vacation accrual	57,097	-	-	-	71,821	-	-
Amortization of intangibles	-	-	-	-	-	13,626	-
Leased assets	-	8,495	-	-	-	-	-
Depreciation property, plant and equipment	-	-	-	1,583,651	-	-	1,734,328
Other	206,005	72,999	48,298	136,902	20,663	91,276	238,721
Obsolescence provisions	-	50,983	-	-	-	40,377	-
Contingencies accruals	-	86,147	-	-	-	164,412	-
Environmental exit costs provision	-	313,936	-	-	-	345,776	-
Hedging of bonds	-	33,823	-	-	-	28,064	-
Unrealized gains with related parties	461	60,695	-	-	19,687	51,880	-
Domestic and foreign bonds costs	-	-	-	13,329	-	-	17,878
Special retired employees plan accrual	17,197	20,690	-	-	6,219	-	-
Health program accrual	-	108,650	-	-	-	102,433	-
Earnings from subsidiaries	-	-	-	42,822	-	-	99,340
Total	280,990	1,018,691	48,298	1,776,704	130,891	1,078,374	2,090,267

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 7 – INCOME AND DEFERRED TAXES (CONTINUED)

d. Income tax expense:

Item	Year ended December 31,	
	2008	2009
	ThUS\$	ThUS\$
Current tax expense	(2,090,759)	(1,493,827)
Prior year adjustment	-	-
Deferred tax expense	(155,206)	(355,681)
Other	-	(1,303)
Total	<u>(2,245,965)</u>	<u>(1,850,811)</u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment at December 31, 2008 and 2009 is as follows:

a. Property, plant and equipment, gross

	As of December 31,	
	2008 ThUS\$	2009 ThUS\$
Land		
Land	62,292	80,178
Mining rights	380	179
Subtotal	62,672	80,357
Buildings and infrastructure		
Infrastructure	2,148,987	2,233,771
Buildings	2,369,219	2,353,390
Housing	152,338	110,257
Construction in progress	1,343,922	2,448,330
Development of mines and mining operations	2,856,178	2,980,240
Forestation and forest development	1,260	1,260
Buildings and infrastructure of subsidiaries	169,639	173,777
Subtotal	9,041,543	10,301,025
Machinery and equipment		
Machinery and equipment	7,303,564	7,402,487
Transport equipment	888,133	977,934
Furniture and fixtures	25,985	24,246
Machinery and equipment of subsidiaries	25,329	69,991
Subtotal	8,243,011	8,474,658
Other plant and equipment		
Improvements on leased land	4,722	4,722
Leased buildings	101,825	101,825
Leased machinery and equipment	36,497	36,497
Leased transport equipment	21,650	27,347
Other leased assets	1,371	4,051
Other assets of subsidiaries	15,643	31,807
Subtotal	181,708	206,249
Technical appraisal revaluation	367,693	362,896
Total gross property, plant and equipment	17,896,627	19,425,185

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b. Accumulated depreciation

	As of December 31,	
	2008	2009
	ThUS\$	ThUS\$
Buildings and infrastructure		
Infrastructure	1,647,264	1,681,062
Buildings	1,612,080	1,667,582
Housing	166,065	126,719
Development of mines and mining operations	1,374,119	1,477,228
	<u>4,799,528</u>	<u>4,952,591</u>
Subtotal		
	<u>4,799,528</u>	<u>4,952,591</u>
Machinery and equipment		
Machinery and equipment	4,229,252	4,539,889
Transport equipment	551,069	595,882
Furniture and fixtures	22,920	21,804
	<u>4,803,241</u>	<u>5,157,575</u>
Subtotal		
	<u>4,803,241</u>	<u>5,157,575</u>
Other plant and equipment		
Improvements on leased land	1,259	1,731
Leased buildings and infrastructure	28,089	35,306
Leased machinery and equipment	8,725	14,238
Leased transportation equipment	3,713	7,230
	<u>41,786</u>	<u>58,505</u>
Subtotal		
	<u>41,786</u>	<u>58,505</u>
Accumulated depreciation from subsidiaries	<u>38,189</u>	<u>52,337</u>
Total accumulated depreciation	<u>9,682,744</u>	<u>10,221,008</u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

c. Depreciation for the year

	Year-Ended December 31,	
	2008	2009
	ThUS\$	ThUS\$
Buildings and infrastructure		
Infrastructure	82,339	85,991
Buildings	89,412	92,711
Housing	1,278	1,113
Development of mines and mining operations	301,203	354,209
	<u>474,232</u>	<u>534,024</u>
Subtotal	<u>474,232</u>	<u>534,024</u>
Machinery and equipment		
Machinery and equipment	390,974	408,118
Transport equipment	67,047	75,829
Furniture and fixtures	414	611
	<u>458,435</u>	<u>484,558</u>
Subtotal	<u>458,435</u>	<u>484,558</u>
Other plant and equipment		
Improvements on leased land	472	472
Leased buildings and infrastructure	7,217	7,217
Leased machinery and equipment	5,873	5,513
Leased transportation equipment	2,979	3,517
	<u>16,541</u>	<u>16,719</u>
Subtotal	<u>16,541</u>	<u>16,719</u>
Depreciation and amortization from subsidiaries	<u>9,454</u>	<u>5,059</u>
Total depreciation and amortization for the year	<u>958,662</u>	<u>1,040,360</u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

d. Technical appraisal revaluation

As of December 31, 2008			
Technical appraisal revaluation			
	Property, plant and equipment, gross	Accumulated depreciation	Depreciation for the year
	ThUS\$	ThUS\$	ThUS\$
Buildings	110,693	(109,703)	(457)
Transport equipment	850	(771)	(7)
Housing	44,460	(43,557)	(215)
Machinery	10,033	(9,933)	(27)
Furniture and fixtures	19	(19)	-
Infrastructure	201,638	(186,602)	(1,830)
Total	367,693	(350,585)	(2,536)

As of December 31, 2009			
Technical appraisal revaluation			
	Property, plant and equipment, gross	Accumulated depreciation	Depreciation for the year
	ThUS\$	ThUS\$	ThUS\$
Buildings	109,619	(109,143)	(337)
Transport equipment	850	(777)	(7)
Housing	40,865	(40,177)	(236)
Machinery	10,033	(9,960)	(27)
Furniture and fixtures	19	(19)	-
Infrastructure	201,510	(188,431)	(1,711)
Total	362,896	(348,507)	(2,318)

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

e. Other plant and equipment

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

	As of December 31,	
	2008	2009
	ThUS\$	ThUS\$
Leased Assets:		
Improvements on leased land		
Improvements on leased land	4,722	4,722
Subtotal	4,722	4,722
Buildings and infrastructure		
Buildings and infrastructure	101,825	101,825
Subtotal	101,825	101,825
Leased machinery and equipment		
Leased machinery and equipment	36,497	36,497
Leased transportation equipment	21,650	27,347
Subtotal	58,147	63,844
Other leased assets		
Other leased assets	1,371	4,051
Other fixed assets from subsidiaries	15,643	31,807
Subtotal	17,014	35,858
Accumulated depreciation:		
Improvements on leased land		
Improvements on leased land	1,259	1,731
Subtotal	1,259	1,731
Buildings and infrastructure		
Buildings and infrastructure	28,089	35,306
Subtotal	28,089	35,306
Leased machinery and equipment		
Leased machinery and equipment	8,725	14,238
Leased transportation equipment	3,713	7,230
Subtotal	12,438	21,468

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

f. Additional information

Assets acquired through capital leases correspond mainly to buildings, infrastructure and machinery and equipment and are included in Other property, plant and equipment. Contracts are expressed in UF, at an average annual interest rate of 7.92%, and with amortization periods of up to 300 months and are included in Miscellaneous payables, according to their maturity.

NOTE 9 - INVESTMENTS IN RELATED COMPANIES

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

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

a. Main investees of Codelco

The following are the companies in which Codelco has a participation and which have not been consolidated:

Agua de la Falda S.A.

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

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

In 2004, Codelco – Chile did not participate in the capital increase carried out by Agua de La Falda S.A., decreasing its participation from 49% to 43%.

In September 2006, the Corporation acquired 56.72% through its subsidiary Inversiones Copperfield Ltda. The purchase of said participation amounted to ThUS\$12,000. Subsequently, Inversiones Copperfield Ltda. Sold its participation in ThUS\$20,000 to Minera Meridian Ltda. Generating a gain of ThUS\$8,000.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

Minera Pecobre S.A. de C.V.

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

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

On December 29, 2008, Codelco Chile agreed to sell to Industrias Peñoles S.A. de C.V. its shares in Sociedad Pecobre S.A. de C.V. corresponding to 49% of the capital of said company in US\$5,000,000 gross, generating an after tax gain of ThUS\$1,667.

Sociedad Contractual Minera El Abra

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

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

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

Since March 19, 2007, Phelps Dodge Corporation is a subsidiary of Freeport McMoran Copper & Gold Inc.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

Sociedad Contractual Minera Purén

Sociedad Contractual Minera Purén was formed on September 23, 2003 by Corporación Nacional del Cobre de Chile and Compañía Minera Mantos de Oro, with shareholding of 35% and 65%, respectively.

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

CMS Tecnología S.A.

CMS Tecnología S.A. is a private company, whose purpose is to manufacture, market, maintain, repair and distribute mining equipment and spares.

On October 4, 2005, the Company sold 70% of CMS Tecnología S.A. shares to ABB Chile S.A. for ThUS\$7,000, resulting in a gain of ThUS\$832.

On October 8, 2009, the Company exercised the put option of 603,045 shares that it held in CMS Tecnología S.A. which represent 30% of the capital in said company. This transaction amounted ThUS\$3,244 generated a gain before tax of ThUS\$2,245.

Copper Partners Invertment Company Ltd.

In March 2006, Codelco Chile through its subsidiary Codelco International Ltd., signed an agreement with Minmetals for the creation of the company Copper Partners Investment Company Ltd, which is equally owned by the two parties.

Sociedad Contractual Minera Sierra Mariposa

Sociedad Contractual Minera Sierra Mariposa was formed on March 15, 2007, with Codelco holding a 33.3% ownership interest and Exploraciones e Inversiones PD Chile Limitada holding a 66.7% ownership interest, with the business purpose of exploring, surveying, prospecting, investigating, developing and exploiting mining deposits in order to extract, produce and process ore concentrates or other mineral products. Its capital is ThUS\$5,247, with Codelco having a 33.3% interest.

On October 9, 2007, an Extraordinary Shareholders Meeting was held to modify the company's capital. The Corporation did not subscribe the increase, which caused its ownership interest to be reduced to 23.73%.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

Kairos Mining S.A.

On January 22, 2007, Codelco Chile, together with Honeywell Chile S.A., formed Sociedad Kairos Mining S.A., with an initial capital of ThUS\$100, with a 40% and 60% ownership interest, respectively.

The corporate purpose is:

- a) To supply automation and control services for industrial and mining activities;
- b) To develop advanced control system technology and applications for industrial and mining activities;
- c) To license technology and software, together with the services set out in letter a);
- d) To commercialize, distribute, import, export and generally trade, on its own or through third parties, any of the services mentioned in letter a) and any other service for industrial or mining activities.

Mining Industry Robotic Solutions S.A.

On August 29, 2007, Codelco Chile and Support Company Limitada, Nippon Mining & Metals Co Ltd. And Kuka Roboter GmbH, formed Mining Industry Robotic Solutions S.A., in which Codelco holds a 36% ownership interest.

The corporate purpose is:

- a) The research, design, creation, invention, manufacture, installation, supply, maintenance and commercialization in any form, of robotic products, robotic technology products or necessary or complementary inputs for the commercialization and maintenance of such products that are capable of being used in the mining and metallurgical industries and their related services.
- b) To produce under license, to license and commercialize product licenses processes and services of a robotic nature for the mining and metallurgical industry, as well as all other forms of use by third parties of products or services based on such technology.
- c) The company may also form all kinds of limited liability companies and private corporations and become a partner or a shareholder of any existing company, being able to develop business activities on its own or through companies that it forms or of which it becomes a partner.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

At December 31, 2008, the Company made capital contributions for ThUS\$2,281 (December 31, 2009; ThUS\$200).

Sociedad GNL Mejillones S.A.

On January 31, 2007, Codelco Chile and Sociedad de Inversiones Copperfield Ltda. formed Sociedad GNL Mejillones S.A., with a capital of ThCh\$1,000 (one million Chilean pesos), with Codelco holding a 99.9% ownership interest. Its business purpose is the production, storage, transport and distribution of all types or classes of fuel, and the acquisition, construction, maintenance and exploitation of the infrastructure facilities and physical works necessary to transport, receive, process and store, both in Chile and abroad, singly or in partnership with third parties.

On October 4, 2007, Codelco Chile's Board of Directors, in an extraordinary meeting, unanimously agreed to confirm Codelco's participation in the GNL Project, through GNL Mejillones S.A., changing its ownership interest in that company to 50%. The remaining 50% is assumed by Suez Energy Andino S.A.

At December 31, 2008, Codelco made capital contributions for ThUS\$145,000, (December 2009, ThUS\$67,500).

On December 29, 2009, in the General Shareholders Meeting of GNL Mejillones S.A., the company made a capital decrease of ThUS\$401,000, corresponding to a decrease of ThUS\$200,500 for Codelco. Additionally, the Company gave a loan for the same amount to GNL Mejillones S.A.. This account receivable will accrue interest, with quarterly payments from the second quarter of 2010 to the last quarter of 2016, as follows:

LIBOR + 3% until December 30, 2012

LIBOR + 4.5% from December 31, 2012 until the payment of the above mentioned loan

Comotech S.A.

Comotech S.A. is a private company formed on January 24, 2008 by Copper Technology Investments Inc., Molibdenos y Metales S.A. and Universidad de Chile, each with a 33.33% ownership interest in that company.

The corporate purpose is to develop investigation activities in order to increase the demand for molybdenum locally and internationally through new and better applications, uses and or markets.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

On December 30, 2008, Copper Technology Investment Inc., transferred the ownership and assets and liabilities of Comotech S.A. to Innovaciones Cobre S.A. (an indirect subsidiary of Codelco Chile through Sociedad de Inversiones Copperfield Ltda.). The abovementioned assets and liabilities were transferred at the book value recorded in Copper Technology Investment Inc. at the date of this transaction.

Inversiones Tocopilla Ltda.

Inversiones Tocopilla Ltda., was formed on January 17, 1996, as a holding of Suez Energy Andino S.A. (51%) and of Codelco (49%).

On July 24, 2008, the market was informed about the merger between Suez S.A. (holding company of Suez Energy Andino S.A. through Suez – Tractebel S.A.) and Gas de France S.A.. As a result of this operation, the new controller holding was renamed GDF Suez S.A.

On November 6, 2009, Codelco and Suez Energy Andino S.A. (at said date, direct controller of Inversiones Tocopilla S.A.) agreed to execute and enter into actions and contracts leading to a defined merging process in order to gather, in one single company, all the shares and rights that Codelco and Suez Energy Andino S.A. may have in Edelnor S.A. and Electroandina S.A., among other companies. This merging process included transforming Inversiones Tocopilla Ltda. into a registered Company that would change its name to Inversiones Tocopilla 1 S.A. and split into three corporations: one that would be the same company with the same corporate existence, and the other two resulting from the split would operate under the names of Inversiones Tocopilla 2-A S.A. and Inversiones Tocopilla 2-B S.A.

On December 29, 2009, Empresa Eléctrica del Norte Grande S.A. (Edelnor S.A.) Shareholders' Extraordinary Meeting approved the merger of Inversiones Tocopilla 1 S.A. and Edelnor S.A., the latter becoming the absorbing company through a share swap with Codelco whereby Codelco acquired 173,382,461 shares of Edelnor S.A., with a 16.3471% direct ownership in the merged company's equity.

Inversiones Tocopilla 2-A S.A.

On November 20, 2009, Inversiones Tocopilla 2-A S.A., a company resulting from the split of Inversiones Tocopilla-1 S.A., which resulted from the transformation of Inversiones Tocopilla Ltda. Was incorporated through a public deed. Said incorporation took place with Suez Energy Andino S.A. (51%) and Codelco (49%) direct ownership. Share percentages were maintained at December 31, 2009.

The purpose of the company is investing in all kind of shares, company rights, or other forms of ownership in companies of any nature, and exercising the corresponding rights.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

Inversiones Tocopilla 2-B S.A.

On November 20, 2009, Inversiones Tocopilla 2-B S.A., a company resulting from the split of Inversiones Tocopilla-1 S.A., which resulted from the transformation of Inversiones Tocopilla Ltda. Was incorporated through a public deed. Said incorporation took place with Suez Energy Andino S.A. (51%) and Codelco (49%). Share percentages were direct ownership by maintained at December 31, 2009.

The purpose of the company is investing in all kinds of shares, company rights, or other forms of ownership in companies of any nature, and exercising the corresponding rights.

Inversiones Mejillones S.A.

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

Inversiones Mejillones S.A. was formed with the objective of acquiring an 82.34% of shares of Empresa Eléctrica del Norte S.A. (Edelnor S.A.), and with the purpose of rescheduling its financial liabilities and coordinating the operations of Electroandina S.A. (of which Codelco and Inversiones Tocopilla were partners at December 31, 2008) and Edelnor S.A.

At December 31, 2008, Codelco had direct and indirect ownership of 66.75% of Inversiones Mejillones S.A.

On November 6, 2009, Codelco and Suez Energy Andino S.A. (until that date, indirect controller of Inversiones Mejillones S.A. through Inversiones Tocopilla Ltda.) agreed to execute and enter into actions and contracts leading to a defined merging process in order to gather, in one single company, all the shares and rights that Codelco and Suez Energy Andino S.A. may have in Edelnor S.A. and Electroandina S.A., among other companies. This merging process included the split of Inversiones Mejillones S.A. in three entities: Inversiones Mejillones-1 S.A., which would be its legal continuation and keeping the same corporate existence, Inversiones Mejillones-2 S.A., and Inversiones Mejillones-3 S.A.

Inversiones Mejillones-1 S.A.

Inversiones Mejillones-1 S.A. is the legal continuation of Inversiones Mejillones S.A. since November 13, 2009, when Codelco and Inversiones Tocopilla Ltda. owned 34.8% and 65.2% of that company.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

As a result of the merging process agreed upon by Codelco and Suez Energy Andino S.A., which included the division of Inversiones Tocopilla Ltda., on December 31, 2009, Inversiones Tocopilla 2A S.A. became the owner of 65.2% of this company's shares, while the Corporation keeps 34.8% direct ownership and 66.748% indirect ownership through Inversiones Tocopilla 2A S.A.

The purpose of the company is the acquisition and disposal, in any way, of shares, bonds, and other securities issued by Edelnor S.A. and the exercise of rights and obligations resulting from its condition as shareholder and holder of the said securities. At December 31, 2009, its ownership in Edelnor S.A. is 11.78%.

Inversiones Mejillones-2 S.A.

On November 13, 2009, Inversiones Mejillones-2 S.A., a company resulting from Inversiones Mejillones S.A. split was incorporated through a public deed, and formed with the direct ownership by Inversiones Tocopilla Ltda. (65.2%) and Codelco (34.8%).

As a result of the merging process agreed upon by Codelco and Suez Energy Andino S.A., which included the split of Inversiones Tocopilla Ltda., on December 31, 2009, Inversiones Tocopilla 2B S.A. became the owner of 65.2% of this company's shares, while the Corporation maintains a 34.8% direct ownership and a 66.748% indirect ownership through Inversiones Tocopilla 2B S.A.

The company's purpose is investing in any type of shares, company rights, or other forms of ownership in companies of any nature, and exercising the corresponding rights. Its ownership in Edelnor S.A. was 23.65% at December 31, 2009.

Inversiones Mejillones-3 S.A.

On November 13, 2009, Inversiones Mejillones-3 S.A., a company resulting from Inversiones Mejillones S.A. split, was incorporated through a public deed and formed with the direct ownership by Inversiones Tocopilla Ltda. (65.2%) and Codelco (34.8%).

As a result of the merging process agreed upon by Codelco and Suez Energy Andino S.A., which included the split of Inversiones Tocopilla Ltda., on November 20, 2009, Inversiones Tocopilla 1 S.A. became the owner of 66.748% of the company's shares and the Company maintained a 34.8% direct ownership and a 66.748% indirect ownership through Inversiones Tocopilla 1 S.A.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

The purpose of the company is investing in all types of shares, company rights, or other forms of company ownership, of any nature, and exercising the corresponding rights.

On November 26, 2009, Codelco exchanged its shares in Inversiones Mejillones 3 S.A. for shares in Inversiones Tocopilla 1 S.A., diluting its ownership in this company.

Electroandina S.A.

Electroandina S.A. is a public company whose main business is the generation, transmission, and distribution of electric energy in Region II. At December 31, 2008, Inversiones Tocopilla Ltda. Held 65.2%, and Codelco owned 34.8% of this company, respectively. Electroandina S.A.'s main assets were acquired from Codelco's ex-Tocopilla Division.

The extraordinary Shareholders' Meeting of Electroandina S.A. held on July 29, 2008, approved a capital increase of said company. On September 26, 2008, Codelco subscribed 25,687,934 B Series shares for a total amount of MUS\$24,537, maintaining its ownership in Electroandina S.A. which, at December 31, 2008, directly and indirectly reached 66.748%, considering the indirect ownership through Inversiones Tocopilla Ltda.

On November 6, 2009, Codelco and Suez Energy Andino S.A. (to that date indirect controller of Electroandina S.A. through Inversiones Tocopilla Ltda.) agreed to execute and enter into actions and contracts leading to a defined merging process to gather, in one single company, all the shares and rights Codelco and Suez Energy Andino S.A. may have in Edelnor S.A. and Electroandina S.A., among other companies. This merging process included the contribution by Codelco to Inversiones Tocopilla 1 S.A. of its full ownership (less one share) in Electroandina S.A. (34.8%), a situation that was completed on November 26, 2009. Later, on December 29, 2009, the merging of Inversiones Tocopilla 1 S.A. and Edelnor S.A. took place, with the latter absorbing the former. This way, at December 31, 2009, 99.9% of Electroandina S.A. belongs to Edelnor S.A. and the Corporation owns one share.

Edelnor S.A.

Empresa Eléctrica del Norte Grande S.A. (Edelnor S.A.) is a public company traded on the Chilean stock exchange, whose main business objective is the production, transmission and supply of electricity the sale of liquid, solid or gaseous fuels, maintenance, repair, and engineering services.

At December 31, 2008, Inversiones Mejillones S.A. held 82.34% of Edelnor S.A.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

On November 6, 2009, Codelco and Suez Energy Andino S.A. (until then, indirect controller of Edelnor S.A. through Inversiones Mejillones S.A. and Inversiones Tocopilla Ltda.) agreed to execute and enter into actions and contracts leading to a defined merging process in order to gather, in one single company, all the shares and rights that Codelco and Suez Energy Andino S.A. may have in Edelnor S.A. and Electroandina S.A., among other companies. This merging process included the following actions that directly affected this company's shareholder composition:

- The November 13, 2009, Inversiones Mejillones S.A. split (which until this action was its direct controller) in three entities: Inversiones Mejillones-1 S.A., Inversiones Mejillones-2 S.A., and Inversiones Mejillones-3 S.A. The first two companies named above became owners of 27.37% and 54.93% of Edelnor S.A., respectively
- The November 20, 2009, transformation of Inversiones Tocopilla Ltda. (which before the said action was its indirect controller through Inversiones Mejillones-1 S.A. and Inversiones Mejillones-2 S.A.) into Inversiones Tocopilla 1 S.A. and its split into three entities, the continuing Inversiones Tocopilla 1 S.A., Inversiones Tocopilla 2-A S.A., and Inversiones Tocopilla 2-B S.A., where the latter two remained as direct controllers of 65.2% of Inversiones Mejillones-1 S.A. and Inversiones Mejillones-2 S.A., respectively.
- The merger of December 29, 2009, between this company and Inversiones Tocopilla 1 S.A., where the latter was absorbed, resulted in Codelco's direct ownership in Inversiones Tocopilla 1 S.A. making Codelco a direct shareholder in Edelnor S.A. through the share swap.

Therefore, at December 31, 2009, Edelnor S.A.'s ownership is: 16.35% corresponding to Codelco's direct ownership; 11.78% corresponding to Inversiones Mejillones-1 S.A.; 23.65% corresponding to Inversiones Mejillones 2 S.A., and 40.62% corresponding to Suez Energy Andino S.A. The remaining 7.6% belong to minority shareholders.

At December 31, 2009, the Corporation holds 16.3471% of Edelnor S.A., with a total of 173,382,461 shares.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

b. Contributions to paid in capital of related companies

During the periods between January 1 and December 31, 2008 and 2009 Codelco-Chile made cash contributions by capitalizing accounts receivable or transferring mining properties for ThUS\$186,654 and ThUS\$67,700, respectively, as follows:

	2008 ThUS\$	2009 ThUS\$
Sociedad GNL Mejillones S.A.	145,000	67,500
Mining Industry Robotic Solutions S.A.	2,281	200
Inversiones Tocopilla Ltda.	14,836	-
Electroandina S.A.	24,537	-

These capital contributions were recorded at their book value in accordance with Technical Bulletin N°72 issued by the Chilean Institute of Accountants.

The movements related to the acquisitions and merger of electric assets are as follows:

	2009 ThUS\$
Purchase of shares:	
Central Termoeléctrica Andina S.A.	21,695
Contribution in shares:	
Inversiones Tocopilla 1 S.A.	191,406
Electroandina S.A.	(149,759)
Central Termoeléctrica Andina S.A.	(21,695)
Inversiones Mejillones 3 S.A.	(32)
Share swap:	
Inversiones Tocopilla 1 S.A.	(158,554)
Edelnor S.A.	202,432

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 9 – INVESTMENTS IN RELATED COMPANIES (CONTINUED)

c. Additional information on unrealized gains:

The Company has recognized unrealized gains on the contribution of products, mining properties, property, plant and equipment and ownership rights. The most significant transactions are detailed as follows:

Sociedad Contractual Minera El Abra

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994, whose unrealized gain for ThUS\$106,483 in 2008 and ThUS\$91,018 in 2009 are presented net of the investment. The recognition of gains is performed in accordance with the depletion of the ore reserves of Sociedad Contractual Minera El Abra. At December 31, 2008 gains of ThUS\$19,296 (2009, ThUS\$15,465) were recognized. It should be noted that in the second half of 2009 Sociedad Contractual Minera El Abra reviewed the calculations of the depletion of the ore reserves and determined that it will be necessary to make certain adjustments in 2009. At December 31, 2008 and 2009, the value of finished products of inventories item does not have an unrealized gain provision.

The detail of investments in related companies is as follows:

Company	Number of Shares	Percentage owned		Equity in income (loss)		As of December 31,		Book value of the investment	
						Unrealized gain			
		2008 %	2009 %	2008 ThUS\$	2009 ThUS\$	2008 ThUS\$	2009 ThUS\$	2008 ThUS\$	2009 ThUS\$
Copper Partners Investment Company Ltd.	49,322,751	50.00	50.00	15,658	23,018	-	-	111,088	116,428
Comotech S.A.	-	33.33	33.33	-	-	-	-	135	126
Soc. Contractual Minera Purén	350	35.00	35.00	15,573	157	-	-	7,653	7,810
Inversiones Mejillones 2 S.A.	22,648	-	34.80	-	7,668	-	-	-	109,325
Inversiones Tocopilla 2B S.A.	49,000	-	49.00	-	7,040	-	-	-	100,365
Inversiones Tocopilla 2A S.A.	49,000	-	49.00	-	3,507	-	-	-	49,999
Soc. GNL Mejillones S.A.	18,500,000	50.00	50.00	(10,500)	3,350	-	-	157,629	27,979
Kairos Mining S.A.	400	40.00	40.00	2	39	-	-	45	94
Mining Industry Robotic Solutions S.A.	67,925	36.00	36.00	(253)	86	-	-	1,688	2,238
Soc. Contractual Minera Sierra Mariposa	-	23.73	23.73	(378)	(1,126)	-	-	1,030	-
Inversiones Tocopilla Ltda.	-	49.00	-	46,302	50,767	-	-	252,695	-
Edelnor S.A.	173,382,461	-	16.35	-	25,826	-	-	-	217,068
S.C. Minera El Abra	49,000	49.00	49.00	168,961	144,537	106,483	91,018	263,520	423,522
Electroandina S.A.	-	34.80	-	(168)	26,077	-	-	139,838	-
Agua de La Falda S. A.	17,052	43.00	43.00	39	(328)	-	-	6,111	5,783
CMS Tecnología S.A.	603,044	30.00	-	(2,171)	(237)	-	-	-	-
Inversiones Mejillones 1 S.A.	22,648	-	34.80	-	3,819	-	-	-	54,463
Inversiones Mejillones S.A.	18,671	34.80	-	50,541	29,225	-	-	135,348	-
Total				283,606	323,425	106,483	91,018	1,076,780	1,115,200

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 10 - GOODWILL AND NEGATIVE GOODWILL

a. Goodwill

The detail of goodwill is as follows:

<u>Company</u>	As of December 31,			
	2008		2009	
	Amount amortized in the year	Total Goodwill	Amount amortized in the year	Total Goodwill
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Fundición y Refinería Las Ventanas	1,176	19,319	1,176	18,143

Law N°19,993 dated December 17, 2004, authorized Empresa Nacional de Minería (ENAMI) to sell real estate, equipment, a laboratory, furniture and vehicles, rights and licenses and other movable goods and intangible goods, forming the industrial mining metallurgical complex called Fundición y Refinería Las Ventanas.

Such acquisition was completed on May 1, 2005, for US\$391 million plus VAT of US\$2.5 million on taxed fixed assets. Said transaction mainly consisted in the acquisition of the assets of the industrial complex and certain liabilities related to the industrial complex's employee benefits.

As a result of this transaction, goodwill was generated which is amortized over 20 years since the date of acquisition in accordance with the estimated life of return on the investment.

b. Negative goodwill

The detail of negative goodwill is as follows:

<u>Company</u>	As of December 31,			
	2008		2009	
	Amortization in negative goodwill	Negative goodwill	Amortization in negative goodwill	Negative goodwill
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Alliance Copper Ltd. (now Ecometales Ltd.)	41	310	-	-

On July 31, 2006, the indirect subsidiary Codelco Technologies Limited acquired the remaining 50% ownership in Alliance Copper Limited (now Ecometales Ltd.) for ThUS\$10,000. Such operation generated a net negative goodwill whose amount net of amortization is ThUS\$310.

The indirect subsidiary Codelco Technologies Ltd. Recorded the increase of this investment according to Technical Bulletin No.72 issued by the Chilean Institute of Accountants.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 11 - OTHER ASSETS

At December 31, 2008 and 2009, other assets are as follows (net values):

	As of December 31,	
	2008	2009
	ThUS\$	ThUS\$
Complementary activities (1)	10,617	2,429
Discount on issues of bonds (2)	23,385	31,364
Nueva Calama integration iscell (3)	246,569	230,555
Hedging – iscella rates (4)	95,520	203,482
Export tax (Law N°13196) (5)	45,530	41,864
Purchase rights (6)	175,000	175,000
Other	21,232	11,603
Total other assets	<u>617,853</u>	<u>696,297</u>

- (1) Corresponds to disbursements related to improvements to tailing dams and hydro and geological activities, which are amortized over a maximum period of 6 years, depending on the related activity.
- (2) Corresponds to bond discount on issuances made in Chile and the United States. These are amortized using the straight-line method over the term of these bonds to the maturity dates (2012, 2013, 2014, 2019, 2035 and 2036).
- (3) Corresponds to payments associated with the costs of moving the mining camp from Chuquicamata to Calama, due to mining developments, the need for gravel dumps in the camp zone to reduce hauling distances and, because the camp was declared working zone rather than residential zone due to the environmental conditions proper of an industrial area. It is amortized over the period when the corresponding benefits will be obtained.
- (4) Corresponds to the net account receivable in connection with exchange rate hedging contracts entered into to protect the Company against the future variation of other currencies against the U.S. dollar, which are used in Codelco's operations (Note 24 b).
- (5) Corresponds to the recognition of the commitment related to Law 13.196, which is also presented as an accrual in the item Accruals within current liabilities, for the advance payment for the Copper Sale Contract entered into with Copper Partners Investment Company Limited (Note 25c). This amount will be amortized based on the shipments made.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 11 – OTHER ASSETS (CONTINUED)

- (6) On December 19, 2008, Empresa Nacional de Minería (ENAMI) granted to Codelco Chile its right to acquire up to 49% of the shares of Anglo American Sur S.A. Such right could be exercised by the Corporation until year 2027, making the exercising decision every three years. The total amount for the right granted was ThUS\$175,000, as of December 31, 2009, such amount is outstanding and is presented as miscellaneous payables current and non-current for ThUS\$35,000 and ThUS\$140,000, respectively. The terms in which such debt will be paid were established by the Ministry of Finance, the debt bears interest at LIBOR-180 days with equal annual installments each October 31st of each year and maturing in 2014. The first installment payment will be on October 31st, 2010.

On January 30, 2009, the Corporation has communicated to Anglo American Sur S.A. its decision to delay exercising its option to acquire up to 49% of the shares of such company for the contractual period from January 1st to 31st of 2012.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 12 - OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS – CURRENT

d. Current obligations

<u>Bank or financial institution</u>	<u>Currency</u>	<u>As of December 31,</u>	
		<u>2008</u>	<u>2009</u>
		ThUS\$	ThUS\$
Deutsche Bank	Euros	-	5,400
HSBC Thrinkaus & Burkhardt	Euros	6,649	7,320
Dresdner Bank	Euros	14,778	-
ABN Amro Bank N.V.	US\$	200,121	-
The Bank of Tokyo Mitsubishi Ltd.	US\$	50,010	100,015
HSBC Bank USA, National Association	US\$	250,031	100,004
Banco Santander (SPOT)	US\$	36,100	-
Corpbanca	Ch\$	-	2,068
Other	Ch\$	157	596
Total		<u>557,846</u>	<u>215,403</u>
Principal outstanding	US\$	<u>557,846</u>	<u>215,403</u>
Average interest rate	US\$	<u>-</u>	<u>-</u>
Average interest rate	Euros	<u>4.52%</u>	<u>1.60%</u>
Percentage of obligations in US dollars		<u>96.13%</u>	<u>92.86%</u>
Percentage of obligations in Euros		<u>3.84%</u>	<u>5.91%</u>
Percentage of obligations in Chilean pesos		<u>0.03%</u>	<u>1.24%</u>

Additional information

Despite the fact that the Corporation is authorized to keep its accounting records in United States Dollars, we have considered as foreign currency the obligations denominated in U.S. dollars only for purposes of this Note.

U.S. dollar (SPOT) sales operations, maturing within no more than 48 hours, are presented in Current liabilities with banks and financial institutions.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 12 – OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS – CURRENT (CONTINUED)

e. Current portion of long-term obligations

<u>Bank or financial institution</u>	<u>Currency</u>	<u>As of December 31,</u>	
		<u>2008</u>	<u>2009</u>
		ThUS\$	ThUS\$
The Bank of Tokyo – Mitsubishi Ltd.	US\$	300,029	-
BBVA Bancomer S.A.	US\$	35	-
Banco Santander	US\$	-	152
Export Development Canada	US\$	301	-
Total		<u>300,365</u>	<u>152</u>
Principal outstanding	US\$	<u>300,000</u>	<u>-</u>
Average interest rate	US\$	<u>1.72%</u>	<u>1.21%</u>
Percentage of obligations in US dollars		<u>100%</u>	<u>100%</u>

NOTE 13 - OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS – LONG TERM

Additional information

These obligations accrue interest at variable rates based on Libor.

Bank or financial institution	Currency	As of December 31, 2008 ThUS\$	As of December 31, 2009				Annual iscell interest rate %
			Years to maturity			Total ThUS\$	
			After 1 year but within 2 years ThUS\$	After 2 years but within 3 years ThUS\$	After 5 years but within 10 years ThUS\$		
BBVA Bancomer S.A.	US\$	400,000			400,000	400,000	0.43
Banco Santander S.A.	US\$	-	200,000			200,000	1.21
Export Development Canada	US\$	250,000		200,000		200,000	1.58
Total		650,000	200,000	200,000	400,000	800,000	
Percentage of obligations in US dollars		100%				100%	

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14 - CURRENT AND LONG-TERM BONDS PAYABLE

On May 4, 1999, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$300,000. These bonds had a maturity in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually. The amount of this obligation was paid at its maturity date.

On November 18, 2002, the Company issued and placed bonds in the Chilean market, under the regulations of the Superintendency. These bonds were issued for a nominal amount of UF7,000,000, of a single denominated A Series, and are represented by 70,000 certificates for UF100 each. These bonds mature of a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually.

On November 30, 2002, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$435,000. These bonds mature in a single installment on November 30, 2012, at an interest rate of 6.375% per annum with interest paid semi-annually.

On October 15, 2003, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 15, 2013, at an interest rate of 5.5% per annum with interest paid semi-annually.

On October 15, 2004, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 15, 2014, at an interest rate of 4.750% per annum with interest paid semi-annually.

On May 10, 2005, the Company issued and placed bonds in the local market, for a nominal amount of UF6,900,000 of a single denominated B Series, represented by 6,900 certificates for UF1,000 each. These bonds mature in a single installment on April 1, 2025, at an interest rate of 3.29% per annum with interest paid semi-annually.

On September 21, 2005, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on September 21, 2035, at an interest rate of 5.6250% per annum with interest paid semi-annually.

On October 19, 2006, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 24, 2036, at an interest rate of 6.15% per annum with interest paid semi-annually.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14 – CURRENT AND LONG-TERM BONDS PAYABLE (CONTINUED)

On January 20, 2009, the Company issued and placed bonds in the American market, under Regulation 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.

The detail is as follows:

Instrument	Currency	Interest rate %	Interest date/ maturity date	As of December 31,	
				Par value	
				2008	2009
				ThUS\$	ThUS\$
Current portion of bonds payable:					
Bond interest payable 144-A and Reg S	US\$	7.375	Semi-annually	303,728	-
Bond interest payable Series A	UF	4.000	Semi-annually	3,166	3,920
Bond interest payable 144-A and Reg S	US\$	6.375	Semi-annually	2,528	2,605
Bond interest payable 144-A and Reg S	US\$	5.500	Semi-annually	6,044	6,044
Bond interest payable 144-A and Reg S	US\$	4.750	Semi-annually	5,220	5,220
Bond interest payable Series B	UF	3.290	Semi-annually	2,416	2,960
Bond interest payable 144-A and Reg S	US\$	5.625	Semi-annually	8,002	8,002
Bond interest payable 144-A and Reg S	US\$	6.150	Semi-annually	5,745	5,766
Bond interest payable 144-A and Reg S	US\$	7.500	Semi-annually	-	20,666
Total				336,849	55,183

Instrument	Currency	Interest rate %	Interest date/ maturity date	As of December 31,	
				Par value	
				2008	2009
				ThUS\$	ThUS\$
Long-term bonds payable:					
Long-term bond Series A	UF	4.000	Sep 1, 2012	235,946	289,095
Long-term bond 144-A and Reg S	US\$	6.375	Nov 30, 2012	435,000	435,000
Long-term bond 144-A and Reg S	US\$	5.500	Oct 15, 2013	500,000	500,000
Long-term bond 144-A and Reg S	US\$	4.750	Oct 15, 2014	500,000	500,000
Long-term bond Series B	UF	3.290	Apr 1, 2025	232,576	284,965
Long-term bond 144-A and Reg S	US\$	5.625	Sep 21, 2035	500,000	500,000
Long-term bond 144-A and Reg S	US\$	6.150	Oct 24, 2036	500,000	500,000
Long-term bond 144-A and Reg S	US\$	7.500	Jan 15, 2019	-	600,000
Total				2,903,522	3,609,060

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NOTE 15 - ACCRUALS

The composition of current and long-term accruals is as follows:

Item	As of December 31,			
	Current		Long-term	
	2008 ThUS\$	2009 ThUS\$	2008 ThUS\$	2009 ThUS\$
Cost of sales – miscellaneous (1)	2,550	14,524	-	-
Operating costs – miscellaneous (2)	61,115	34,569	-	-
Other employee benefits – collective bargaining	2,873	1,315	-	-
Severance indemnity	25,596	35,645	778,743	1,025,184
Export tax (Law N°13196)	106,575	129,597	-	-
Profit sharing bonus	2,601	3,144	-	-
Payroll (3)	131,655	126,194	-	-
Vacations	100,170	126,001	-	-
Miscellaneous	20,675	13,992	7,515	10,428
Early retirement program (4)	30,169	10,911	36,299	48,608
Environmental exit costs (5)	-	-	550,766	606,625
Contingencies	-	-	118,022	90,024
Health programs (6)	-	-	187,742	178,737
Total	<u>483,979</u>	<u>495,892</u>	<u>1,679,087</u>	<u>1,959,606</u>

- (1) Corresponds to an accrual related to the sales area, including freight expenses, loading, and unloading not invoiced as of the end of the year.
- (2) Corresponds to an accrual for customs duties, freight charges on purchases, and electricity, among others.
- (3) Corresponds to benefits granted to the Company's employees which are accrued as of the closing date of these financial statements.
- (4) Corresponds to benefits granted to the Company's employees under early retirement programs for those who have agreed to retire, under these plans.
- (5) Corresponds to the policy established by the Company with respect to the provision of future environmental exit costs of mines, which principally relate to the tailing dams and other assets which are calculated at present value using a discount rate that is equivalent to the interest rate at which the Company obtains its financing and with a term according to the mining plan of each Division.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15 – ACCRUALS (CONTINUED)

- (6) Corresponds to a provision made at net present value in order to cover the Company's commitments for contributions to health plans as agreed upon with employees and former employees. The provision considers an annual discount rate that is equivalent to the interest rate at which the Company obtains its financing.

NOTE 16 - SEVERANCE INDEMNITIES

The changes in the accrual for severance indemnities are summarized as follows:

	As of December 31,			
	Current		Long-term	
	2008	2009	2008	2009
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of January 1	29,551	25,596	879,903	778,743
Payments made	(39,046)	(16,528)	-	-
Provision for the year (including effects of variations in exchange rates)	-	-	(66,069)	273,018
Transfer to current liabilities	35,091	26,577	(35,091)	(26,577)
Total	<u>25,596</u>	<u>35,645</u>	<u>778,743</u>	<u>1,025,184</u>

NOTE 17 - MINORITY INTEREST

The detail of minority interest included in liabilities and net income is as follows:

Companies	As of December 31,			
	2008		2009	
	Liabilities	Net income (loss)	Liabilities	Net income (loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Asociación Garantizadora de Pensiones	18	-	21	1
Biosigma S.A.	1,827	2,500	1,131	2,199
Inst. De Innov. En Min. Y Metalurgia S.A.	2	-	3	-
Isapre Chuquicamata Ltda.	46	-	55	-
Prestadora de Servicios San Lorenzo Ltda.	1	-	14	1
Inversiones Copperfield Ltda.	(31)	-	420	236
Micomo S.A.	867	(81)	1,448	(386)
Total	<u>2,730</u>	<u>2,418</u>	<u>3,092</u>	<u>2,051</u>

NOTE 18 - EQUITY

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

- a. Corporación Nacional del Cobre de Chile (Codelco-Chile) was created by Decree Law N°1,350 of 1976, which establishes in its Article 6 that all net income, in accordance with the balance sheet before the deduction of amounts that in accordance with joint, reserved and exempt decrees issued by the Chilean Mining Department and the Chilean Treasury Department, and the proposal of the Company's Board of Directors are authorized to use for the capital development fund and reserves, will belong to the Chilean State and will be included in the Chilean government revenues.

On February 28, 2007, in accordance with Article 6 of D.L. N°1,350, the Board of Directors agreed to request from the Ministries of Mining and Finance the creation of a reserve fund charging to 2006 net income for an amount equivalent to the total amount of taxes (ThUS\$313,500), which corresponds to the income tax and additional tax paid in advance by Codelco as a result of the advance received from clients for ThUS\$550,000 in accordance with the commercial agreement with Minmetals. At said meeting, the Board also asked to maintain as retained earnings an amount of ThUS\$400,000. Both proposals were accepted.

On February 28, 2008, in accordance with Article 6 of D.L. N°1,350, the Board of Directors agreed to propose to the Ministries of Mining and Finance the creation of a reserve fund charging to 2007 net income for an amount of ThUS\$198,762.

On January 10, 2008 and on February 15, 2008, the Company paid ThUS\$400,000 and ThUS\$400,000, respectively, for fiscal surpluses on account of 2007 profit.

On December 4, 2009, the Company received an extraordinary capital contribution of ThUS\$1,000,000 in accordance with the transitional Article N°6 of Law N°20,392 of the same year, destined to finance of Codelco's investments program. The capital contribution received as cash flow amounted to ThUS\$100,000 which is the difference between said cash flow and the capital increase, which corresponds to the recognition by the Chilean IRS of a voluntary provisional tax payment of ThUS\$900,000 that will be used as credit to income tax payable in March, 2010.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 18 – EQUITY (CONTINUED)

The composition of Other Reserves as of December 31, 2009 is as follows:

Detail	Year	Accumulated
	ThUS\$	ThUS\$
Capitalization of net income and reserves	8,684	1,071,367
Cumulative translation adjustment – subsidiaries	8,534	44,522
Net changes in equity in subsidiaries and investees	(1,667)	(2,901)
Reserve for housing programs	-	35,100
Technical appraisal revaluation reserve – D.L. N°3,648	-	624,567
Balance of other reserves as of December 31, 2009	<u>15,551</u>	<u>1,773,465</u>

- b. At December 31, 2009, Codelco has generated a net income for the year of ThUS\$1,261,718 (2008: ThUS\$1,566,775) and has anticipated profit distributions to the Chilean Treasury of ThUS\$751,021 with charges to said income, which are presented reducing equity.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 18 – EQUITY (CONTINUED)

- c. As of December 31, 2008 and 2009, the composition of the cumulative translation adjustment in Other reserves, which corresponds to the investments in subsidiaries and investees whose currency is other than the United States dollars, is as follows:

	As of December 31,					
	2008			2009		
	As of January 1 ThUS\$	Year ThUS\$	Accumulated ThUS\$	As of January 1 ThUS\$	Year ThUS\$	Accumulated ThUS\$
Sociedad Ejecutora Proyecto						
Hospital del Cobre de Calama S.A.	4	95	99	99	(20)	79
Instituto de Innovación en Minería y Metalurgia S.A.	1,563	(501)	1,062	1,062	777	1,839
Compañía Contractual Minera Los Andes	(580)	140	(440)	(440)	14	(426)
CMS Chile Sistemas y Equipos Mineros S.A.	(3,449)	3,449	-	-	-	-
CMS Tecnología S.A.	(193)	(200)	(393)	(393)	393	-
Electroandina S.A. (2)	15,327	-	15,327	15,327	-	15,327
Inversiones Tocopilla Ltda. (2)	18,684	-	18,684	18,684	-	18,684
Complejo Portuario Mejillones S.A. (1)	(853)	-	(853)	(853)	-	(853)
Santiago de Río Grande S.A.C.	7	82	89	89	3	92
Sociedad Elaboradora de Cobre	54	(110)	(56)	(56)	296	240
Asociación Garantizadora de Pensiones	(35)	(61)	(96)	(96)	128	32
Isapre Chuquicamata Ltda.	1,047	(292)	755	755	587	1,342
Prestadora de Servicios San Lorenzo Ltda.	348	(51)	297	297	94	391
Isapre Río Blanco Ltda.	563	(105)	458	458	276	734
Sociedad Contractual Minera Picacho	(5)	62	57	57	34	91
Geotérmica del Norte S.A.	(369)	(437)	(806)	(806)	-	(806)
Biosigma S.A.	2,986	(1,460)	1,526	1,526	841	2,367
Inversiones Mejillones S.A. (2)	2,655	-	2,655	2,655	-	2,655
Minera Purén (3)	(1,400)	-	(1,400)	(1,400)	-	(1,400)
Exploraciones Mineras Andinas S.A.	72	1	73	73	130	203
Clínica Río Blanco Ltda.	906	(340)	566	566	359	925
Sociedad de Inversiones Copperfield Limitada	1,197	(1,760)	(563)	(563)	3,474	2,911
Micomio S.A.	340	(183)	157	157	380	537
Minera Gaby S.A. (4)	56	-	56	56	-	56
Kairos Mining S.A.	6	78	84	84	10	94
Mining Robotic Solutions S.A.	135	(1,485)	(1,350)	(1,350)	263	(1,087)
Inca de Oro S.A.	-	-	-	-	455	455
Centro de Especialidades Médicas Río Blanco Ltda.	-	-	-	-	40	40
Total	39,066	(3,078)	35,988	35,988	8,534	44,522

- (1) Effective January 1, 2003, the subsidiary Complejo Portuario Mejillones S.A., was authorized to keep its accounting records in US dollars.
- (2) Effective January 1, 2004, the investees Electroandina S.A., Inversiones Tocopilla Ltda. and Inversiones Mejillones S.A. keep their accounting records in US dollars.
- (3) Effective January 1, 2007, the investees Sociedad Contractual Minera, was authorized to keep its accounting records in US dollars.
- (4) Effective April 2, 2007, the subsidiary Minera Gaby S.A., was authorized to keep its accounting records in US dollars.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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NOTE 18 - EQUITY (CONTINUED)

Changes in equity in 2008 and 2009 are as follows:

Movements	2008					2009				
	Paid-in capital ThUS\$	Other reserves ThUS\$	Retained earnings ThUS\$	Profit distributions ThUS\$	Net for the year ThUS\$	Paid-in capital ThUS\$	Other reserves ThUS\$	Retained earnings ThUS\$	Profit distributions ThUS\$	Net for the year ThUS\$
Opening balance	1,524,423	1,655,924	400,000	(1,817,763)	2,981,619	1,524,423	1,757,914	500,000	(1,473,420)	1,566,775
Distribution of prior period	-	-	-	1,817,763	(1,817,763)	-	-	-	1,473,420	(1,473,420)
Final dividend prior period	-	-	-	-	(958,364)	-	-	-	-	(84,671)
Capitalization of reserves and retained earnings	-	105,492	100,000	-	(205,492)	-	8,684	-	-	(8,684)
Net equity changes in subsidiaries and investees	-	(3,502)	-	-	-	-	6,867	-	-	-
Capital increase	-	-	-	-	-	1,000,000	-	-	-	-
Net income for the year	-	-	-	-	1,566,775	-	-	-	-	1,261,718
Interim dividends	-	-	-	(1,473,420)	-	-	-	-	(751,021)	-
Total	<u>1,524,423</u>	<u>1,757,914</u>	<u>500,000</u>	<u>(1,473,420)</u>	<u>1,566,775</u>	<u>2,524,423</u>	<u>1,773,465</u>	<u>500,000</u>	<u>(751,021)</u>	<u>1,261,718</u>

NOTE 19 - NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses at December 31, 2008 and 2009 are detailed below:

a. Non-operating income

	2008 ThUS\$	2009 ThUS\$
Administration - Satep	5,140	5,129
Fines on suppliers	9,426	7,175
Miscellaneous sales	32,669	38,495
Sales of services	14,265	12,831
Sales of property, plant and equipment	2,507	4,522
Realized gains	19,296	15,465
Compensation for damages	-	62,514
Others	<u>115,950</u>	<u>123,019</u>
Total	<u>199,253</u>	<u>269,150</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 19 - NON-OPERATING INCOME AND EXPENSES (CONTINUED)

b. Non-operating expenses

Item	For the Year-Ended December 31,	
	2008	2009
	ThUS\$	ThUS\$
Export tax (Law N°13,196)	1,159,804	959,626
Severance indemnities expense	108,111	10,757
Loss on disposal of property, plant and equipment	14,978	19,647
Collective bargaining bonuses	27,205	127,226
Environmental exit costs	295,880	88,626
Pre-investment expenses	94,945	86,864
Others	93,010	35,582
Retirement plans expenses	48,009	3,227
Health programs	24,355	7,176
Accrual for contingencies	83,392	26,213
Total	<u>1,949,689</u>	<u>1,364,944</u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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NOTE 20 - PRICE LEVEL RESTATEMENT

The composition of price-level restatement (charged) credited to the statements of income is as follows:

	For the Year-ended December 31,	
	2008	2009
	ThUS\$	ThUS\$
Property, plant and equipment	555	(439)
Other current assets	42	(13)
Income taxes recoverable	-	(8)
Other non-monetary assets	574	13
Expense and cost accounts	658	(81)
	<u>1,829</u>	<u>(528)</u>
Total net credits - assets		
Other liabilities		
Other non-monetary liabilities	(416)	27
Accruals	(213)	67
Non-monetary liabilities	-	121
Income accounts	(441)	-
	<u>(1,070)</u>	<u>215</u>
Total net charges - liabilities		
Gain (loss) from price-level restatement	<u><u>759</u></u>	<u><u>(313)</u></u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 21 - FOREIGN EXCHANGE DIFFERENCES

The (charge) credit to income for foreign exchange differences is as follows:

	<u>Currency</u>	For the Year-ended December 31,	
		2008	2009
		ThUS\$	ThUS\$
Assets (Charges) / Credits			
Cash and banks	Ch\$	(9,522)	(9,172)
Trade receivables	Ch\$	(14,374)	7,510
Other receivables	Ch\$	1,928	(367)
Other current assets	Ch\$	(51,524)	52,890
Long-term receivables	Ch\$	(16,023)	24,755
Other	Ch\$	(13,625)	9,343
Total net credits (charges)		(103,140)	84,959
Liabilities (Charges) / Credits			
Accounts payable	Ch\$	84,718	(130,079)
Other payables	Ch\$	(3,178)	(522)
Other current liabilities	Ch\$	11,977	(17,591)
Other long-term liabilities	Ch\$	19,497	(23,320)
Sundry accruals	Ch\$	218,772	(201,988)
Total net credits (charges)		331,786	(373,500)
Total		228,646	(288,541)

NOTE 22 - EXPENSES OF ISSUANCE AND PLACEMENT OF BONDS

Expenses incurred in the issuance and placement of bonds detailed in Note 14, were charged to income of the corresponding period. ThUS\$1,618 in 2008 and ThUS\$2,944 in 2009.

The discount on the placement of bonds is capitalized as a deferred expense and is included in Others under Other Assets and is amortized using the straight-line method over the term of the bonds (2012, 2013, 2014, 2019, 2035 and 2036). As indicated in Note 11, as of December 31, 2008 and 2009, the balance of this item amounts ThUS\$23,385 and ThUS\$31,364, respectively, while the amortization for the year was an expense of ThUS\$182 and an income of ThUS\$182, respectively.

The premium from the bond placements is included in Other long-term liabilities and is amortized using the straight-line method over the term of the bonds (2025). At December 31, 2008 and 2009 the balance of this liability amounted to ThUS\$21,100 and ThUS\$24,270, respectively.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 23 - STATEMENT OF CASH FLOWS

The detail of supplemental information to the consolidated statements of cash flows is as follows:

	For the Year-ended December 31,	
	2008	2009
	ThUS\$	ThUS\$
Other income		
VAT Recovery	1,096,780	1,011,662
Other	454,574	508,503
Total	<u>1,551,354</u>	<u>1,520,165</u>
Other expenses		
Export tax (Law N°13196)	<u>(2,122,282)</u>	<u>(1,236,523)</u>
Total	<u>(2,122,282)</u>	<u>(1,236,523)</u>
Other funding sources		
Special contribution of capital	<u>-</u>	<u>100,000</u>
Total	<u>-</u>	<u>100,000</u>
Other investment income		
Recovery of loans granted to employees and others	<u>18,603</u>	<u>91,917</u>
Total	<u>18,603</u>	<u>91,917</u>

Transactions that did not involve cash flows

- a) On December 29, 2009, the General Shareholders Meeting of GNL Mejillones S.A., made a capital decrease of ThUS\$401,000, corresponding to Codelco a decrease of ThUS\$200,500. Additionally, the Company gave a loan for the same amount to GNL Mejillones S.A. This account receivable will accrue interest, with quarterly payments from the second quarter of 2010 to the last quarter of 2016, as follows:

LIBOR + 3% until December 30, 2012

LIBOR + 4.5% from December 31, 2012 until the payment of the above mentioned loan

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 23 - STATEMENT OF CASH FLOWS (CONTINUED)

- b) On December 4, 2009, the Company received an extraordinary capital contribution of ThUS\$1,000,000 in accordance with the transitional Article No. 6 of Law N°20,392 of the same year, destined to finance Codelco's investments program. The capital contribution received as cash flow amounted ThUS\$100,000 which is the difference between said cash flow and the capital increase, which corresponds to the recognition by the Chilean IRS of a voluntary provisional tax payment of ThUS\$900,000 that will be used as a credit to income tax payable in March, 2010.
- c) The Extraordinary Shareholders' Meeting of Empresa Eléctrica del Norte S.A. (EDELNOR) held On December 29, 2009, approved the merging process that will lead Codelco to maintain its direct and indirect ownership of 40% of EDELNOR, the operations made as a part of the process, implied acquisitions and disposals of assets, loans given and the recording of obligations which did not represent cash flows.

The operations that did not involve cash flow will be liquidated according to the merger agreement, recognizing the cash inflows and outflows in subsequent periods.

The main transactions associated with this merging process that did not involve cash flows are:

	2009 ThUS\$
Purchase of shares:	
Central Termoeléctrica Andina S.A.	21,695
Contribution in shares:	
Inversiones Tocopilla 1 S.A.	191,406
Electroandina S.A.	(149,759)
Central Termoeléctrica Andina S.A.	(21,695)
Inversiones Mejillones 3 S.A.	(32)
Share swaps:	
Inversiones Tocopilla 1 S.A.	(158,554)
Edelnor S.A.	202,432

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 24 - DERIVATIVE CONTRACTS

In accordance with the Corporate Policy for Financial Risk Management, ratified by the Board of Directors on March 27, 2009, and also indicated in Note 2 u), the Company has hedge operations to mitigate the risk of fluctuation in interest rates, foreign currency exchange rates and changes in selling prices, as follows:

a. Interest rate hedge

At December 31, 2008 and 2009, the Company does not have any outstanding contracts.

b. Exchange rate hedge

The Company has exchange rate hedge contracts for ThUS\$373,001, which mature in August 2012 and April 2025. At December 31, 2009, these contracts show a positive exposure of ThUS\$150,527. The net accounts receivable for said contracts amount to ThUS\$95,520 in 2008 and ThUS\$203,482 in 2009 and are classified in Others under Other Assets. In addition, costs arising from said contracts for ThUS\$59,338 in 2008 and ThUS\$49,253 in 2009, are recorded in Other long-term liabilities and are amortized over the term of the respective liabilities.

c. Contracts for pricing operations and adjustments to the commercial policy

In order to protect its cash flows and adjust when necessary its sale contracts to its commercial policy, the Company carries out operations in future markets recording the results of these hedging transactions at the maturity date of the contracts. Said results are added to or deducted from sales. The addition or deduction is due to the fact that sales include the positive or negative effect of market prices. At December 31, 2009, said operations generated a lower net revenue of ThUS\$378,503 (lower revenue and cost for ThUS\$386,978 and ThUS\$8,475, respectively), which is detailed as follows:

c.1 Commercial operations of outstanding copper contracts

In accordance with the policy of cash flow hedge and adjustment to its commercial policy, in the period January-December, 2009, the Company has carried out operations in future markets, which represent 204,050 metric tons of fine copper. These hedging operations are part of the commercial policy of the Company and mature until March 2014.

The outstanding contracts at December 31, 2009, show a net positive exposure of ThUS\$283,512, whose final result will only be known at the maturity date of said operations, after the compensation between the hedging operations and the income from the sale of hedged products.

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NOTE 24 - DERIVATIVE CONTRACTS (CONTINUED)

The operations that ended between January 1 and December 31, 2009 generated a net positive effect on income of ThUS\$27,140 which is deducted from the amounts paid for purchase contracts and added to the amounts received for the contracts for sales of products involved in said pricing operations.

c.2 Commercial operations for outstanding gold and silver contracts

At December 31, 2009, the Company has gold pricing hedging operations for 6.71 thousand troy ounces and silver pricing hedging operations for 253.09 thousand troy ounces.

At that date, the positive exposure amounted to ThUS\$203.

The operations that ended between January 1 and December 31, 2009 generated a negative effect on income of ThUS\$2,354, which is deducted from the amounts received for the contracts for the sale of products involved in said pricing operations. These hedging operations mature until June 2010.

c.3 Operations to protect cash flows based on future production

Also, in order to protect its future cash flows by guaranteeing levels of selling prices of part of the production, future operations have been carried out for 617,800 metric tons of fine copper. These hedging contracts mature until March 2013.

Outstanding future operations at December 31, 2009, show a negative exposure of ThUS\$2,775,695, whose final result will only be known at the maturity date of said contracts, compensating their effects with the sale of the hedged products.

The future operations ended between January 1 and December 31, 2009, related to the production sold generated a lower revenue of ThUS\$416,138, which is the result of the compensation between the hedging operation and revenues arising from the operation and revenues arising from the contracts for the sale of products involved in said pricing operations. Said results are shown as a reduction in net operating income.

At December 31, 2009, the Company does not hold min-max option agreements. The min-max operations ended between January 1 and December 31, 2009 generated a increase revenue of ThUS\$12,849.

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NOTE 24 - DERIVATIVE CONTRACTS (CONTINUED)

As of December 31, 2009 the detail is as follows:

Description of contracts												
Type of derivative	Type of Contract	Contract amount ThUS\$	Maturity or expiry	Specific item	Position Purchase/ sale	Transaction hedged		Amount of transaction hedged	Financial statements			
						Name	Amount		Asset/Liability		Effect in results	
									Name	Amount ThUS\$	Realized ThUS\$	Unrealized ThUS\$
FU	CCTE	8,586	March 2014	Copper	S	Sale contracts (MTF)	204,050	149,400	Long term assets	283,512		283,512
FU	CCTE	355,946	March 2012	Copper	S	Production (MTF)	126,050	126,050	Long term liabilities	577,761		(577,761)
FU	CCTE	1,314,144	March 2013	Copper	S	Production (MTF)	450,000	450,000	Long term liabilities	2,021,747		(2,021,747)
FU	CCTE	132,907	September 2011	Copper	S	Production (MTF)	41,750	41,750	Long term liabilities	176,187		(176,187)
FU	CCTE	-	June 2010	Silver	S	Sale contracts (MOZT)	253	253	Short term assets	143		143
FU	CCTE	-	March 2010	Gold	S	Sale contracts (MOZT)	7	7	Short term assets	60		30
S	CCTE	208,519	April 2025	UF	S	Foreign exchange hedge	208,519	287,925	Other assets	119,374		119,374
S	CCTE	164,482	August 2012	UF	S	Foreign exchange hedge	164,482	293,015	Other assets	31,153		31,153

MOZT: Thousands of troy ounces

MTF: Thousands of metric tons of copper

FU: Future

S: Swap

NOTE 25 - CONTINGENCIES AND COMMITMENTS

Lawsuits and contingencies

Codelco is involved in various lawsuits and legal actions initiated by, or against, the Company which result from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. The Company defends its rights and uses all legal and procedural resources available.

Below is a summary of the most significant lawsuits to which Codelco is a party:

- Tax lawsuits: There are several tax assessments issued by the Chilean Internal Revenue Service for which the Company has presented its corresponding objections.
- Labor lawsuits: Labor lawsuit initiated by employees of Andina Division against the Company in relation to professional diseases (silicosis).
- Mining lawsuits: The Company has been involved, and will probably continue to be involved, as a defendant and plaintiff in a number of proceedings, through which it seeks to protect certain mining concessions already established or in the process of being established. Currently these proceedings have no determined amounts and do not significantly affect Codelco's development.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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NOTE 25 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

A case by case analysis of these trials showed that there are 179 lawsuits with estimated amounts. It is estimated that 33 of them, which represent 18% of the total for ThUS\$26,923, could have a negative effect on the Company. Also, there are 77 lawsuits representing 43% of the total for ThUS\$63,100, about which there is no certainty that their verdict will be unfavorable for the Company. For the rest of the 69 lawsuits for ThUS\$4,628, Codelco's legal advisors consider that it is unlikely that they will be unfavorable. Also, there are 106 lawsuits with an uncertain amount, of which 13 are estimated to have verdicts that could be unfavorable for the Company.

For litigations with probable loss and related court cost, the Company has the required provisions, which are recorded as contingency provisions.

It is public knowledge that the Corporation has presented a petition at the corresponding Court of Appeals, in relation to the reports issued by the Labor's Inspection Office, as a consequence of Law N°20,123, which regulates the work in terms of subcontracting and temporary service companies.

The Company has achieved five favorable sentences regarding these petitions and one, against which it has appealed. Currently, all the cases are pending at the Supreme Court.

Litigation in subsidiaries

The subsidiary Instituto de Innovación en Minería y Metalurgia S.A., had an arbitration lawsuit regarding an alleged non-compliance of confidentiality and industrial property obligations, derived from agreements and contracts signed between the subsidiary and the company Ultratech II S.A., in the years from 1999 to 2002.

This arbitration claim was filed by the trustee of the bankruptcy of the company Ultratech II S.A. in liquidation, for an exact amount of ThUS\$681,150, considering the concepts of consequential damage, loss of earnings and moral damages.

The contingency was notified to Instituto de Innovación en Minería y Metalurgia S.A. on April 25, 2007, and the arbitration decision dated April 9, 2009 (in first instance - without right to appeal) determining the rejection of the lawsuit in all its parts, without court costs. Later on, the counterparty presented a claim against the Judge that was integrally rejected by the Santiago Court of Appeals by means of a court decision dated October 21, 2009, whose final character was certified by said Court in November 30, 2009.

As a result of the aforementioned, the contingency is considered concluded.

The defense expenses and costs incurred as of this date, amounted to ThCh\$68,000 in 2009.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 25 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

Other commitments

- a. On April 29, 2008, the Company and other mining companies signed a backup energy service contract with Gas Atacama Generación S.A. in the Interconnected Northern System (SING) for the period between March 1st, 2008 and December 31, 2011, whose related expense will be recognized in relation to the consumption of all the participating companies. Codelco's share will not exceed ThUS\$194,710 during the entire period covered by said contract.
- b. In July 2005, the Board of Directors of the Company was informed of the Salvador mineral situation; and therefore Management initiated activities in order to close the oxide line by 2008 at the latest and the sulphides line by 2011 at the latest.

Additionally, on September 5, 2005, the Board of Directors approved the 2006 exploration plan, which includes the closing of oxide and sulphide mining operations in 2008 and 2011 respectively, as well as the transition plan for that period.

Regardless of the above, on May 8, 2007 considering new studies related to market conditions, the Board of Directors decided to extend the exploitation of the Salvador Division's oxide line for two more years, postponing the closure of the oxide line until 2010.

Additionally, during the second half of 2005, and in accordance with the evaluated impact of this decision, and the mine closure plan, the corresponding provisions were recorded.

Additionally, at December 31, 2005, the Company wrote-off assets related to the activities that will have to be closed.

- c. On May 31, 2005, Codelco through its subsidiary Codelco International Ltd. signed an agreement with Minmetals to create a company, in which both companies will participate equally. They also agreed on the terms of a 15-year sales agreement regarding cathodes for the joint venture and a purchase agreement with Minmetals for the same term and monthly shipments until completing 836,250 metric tons. Each shipment will be paid by the purchaser at a price composed of a fixed and a variable component, which will depend on the current price of the copper at the time of the shipment.

Codelco has granted Minmetals an option to acquire, at market price, a minority ownership in a company that will exploit the Gaby mineral deposit, subject to the conditions that Codelco establishes and approves to go forward with said initiative.

On September 23, 2008, Codelco Chile and Minmetals agreed to suspend indefinitely the rights and obligations regarding the option over the Gabriela Mistral ore body. Any possible repossession of this option will require the agreement of both parties.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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NOTE 25 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

At the same time, both companies agreed to work together, on a case by case basis, in the study of new business and exploration opportunities in the international copper mining sector, mainly in Latin America and Africa.

During the first quarter of 2006, based on agreed financial conditions, the financing contracts with the China Development Bank were signed, allowing the Copper Partners Investment Company Ltd. to make the US\$550 million payment in March 2006 to Codelco.

At December 31, 2009, the contract is operating and the monthly shipments began in June 2006.

Based on the abovementioned agreements with Minmetals, the Board of Directors of Codelco authorized hedge transactions for 139,325 tons (including the abovementioned tons), on behalf of Copper Partners Investment Company Ltd., which were completed during January and February 2006 (41,750 metric tons of fine copper at December 31, 2009). Copper Partners Investment Company assumes the result of this hedge.

- d. The Company has subscribed gas supply contracts with its investee GNL Mejillones S.A., which will operate from October 2010. Through these contracts, the investee agreed to sell as a minimum the equivalent to 27 annual Tera of BTU (British Thermal Unit) in the period 2010-2012. Additionally, the Company, jointly with other mining companies, has signed an option contract with GNL that includes the following options:
 - i) To purchase the right to use the terminal's capacity after the maturity of the contract, or
 - ii) To purchase shares of GNL. The companies are required to take one of these options.

The Company has subscribed guarantees for 50% of the total amount of GNL Mejillones S.A derivative contract exposure, with a maximum of ThUS\$360,000.

- e. Law N°19,993 dated December 17, 2004, that authorized the purchase of the assets of Fundición y Refinería Las Ventanas from ENAMI, establishes that the Company should guarantee the necessary smelting and refining capacity, with no restrictions or limitations, for the treatment of products of the small and medium size mining industry that ENAMI sends for processing or under other terms agreed to by both parties.
- f. Following its cost-reduction programs through the use of modern technologies, the Corporation has established early severance programs for its personnel that qualify for retirement, with benefits that encourage retirement, for which obligations are recognized as a provision when the employee commits to his/her retirement.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 25 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

Additional information

a) In connection with the financial liabilities incurred by the investee Copper Partners Investment Company Ltd. with the China Development Bank, Codelco Chile and Codelco International Ltd. must fulfill certain covenants, mainly referred to providing financial information. Additionally, Codelco Chile has to maintain its 51% ownership in Codelco International Limited.

In accordance with the Sponsor Agreement, dated March 8, 2006, the subsidiary Codelco International Ltd. agreed to transfer its rights held in Copper Partners Investment Company Ltd. as collateral security in favor of China Development Bank.

The Company's bond payables (Note 14) establish some restrictions related to limitations on the pledge and limitations on leaseback transactions mainly over the Company's property, plant and equipment and investment in significant subsidiaries.

At December 31, 2009 and 2008, the Company has complied with these conditions.

b) On November 6, 2009, Codelco entered into the following long-term electricity supply contracts with Electroandina S.A.:

i) Contract replacing the one entered into on November 22, 1995, for the provision of electric power at the Chuquicamata site, effective for fifteen years as of January 2010, supplying between 200 and 280 MW, and the associated electric power. The contract involves an approximate cost of ThUS\$1,380 million for the entire period.

ii) Modification of the contract entered into on December 21, 1995, for the supply of electricity for the Radomiro Tomic site for a maximum power of 110 MW, and through which new prices for power and energy are established as of January 2010, as well as a new price adjustment formula.

c) At December 31, 2009, Codelco entered into a purchase and sale power and electric energy agreement of the Central Interconnected System with Empresa Nacional de Electricidad S.A., in order to satisfy Codelco's requirements for the Salvador Division.

The agreement is in force from April 1, 2010 and until March 31, 2013. The agreed maximum power reaches HP 70 (MW) and HFP 71 (MW).

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 25 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

d) In virtue of the merger agreement, at November 6, 2009, between Codelco Chile, Suez Energy Andino Investment S.A. and Suez Energy Andino S.A. (SEA), companies that jointly with Codelco declare and guarantee that all disclosures and guarantees contained in the agreement are complete and real in all its significant aspects at the date of the referred agreement, and except otherwise communicated by SEA or Codelco, these guarantees are equally complete and real at the closure date, at the signature of the agreement, the aforementioned parties are obliged to finance Central Termoeléctrica Andina S.A. (CTA), up to the closure of the aforementioned agreement, in 33.254% and 66.746% for SEA and Codelco respectively.

At the closure of the agreement, SEA and Codelco will lend Edelnor, in the proportion of 56.71% and 43.29% respectively, a total amount equal to what the companies (that are part of the merger process), including Edelnor, owe SUEZ and Codelco from credit operations held prior to the closure date.

Direct guarantees

<u>Creditor</u>	<u>Debtor</u>	<u>Type of guarantee</u>	<u>Outstanding Payments</u>	
			<u>2008</u> ThUS\$	<u>2009</u> ThUS\$
Tesorería General de la República	Codelco Chile	Use of tax credit	5	5
Other	Codelco Chile	Guarantee notes	64,882	106,474
Macquarie Bank Limited	Codelco Chile	Standby letter	60,000	165,000
Semptra Metals Limited	Codelco Chile	Standby letter	80,000	-
Koch Supply & Trading LP	Codelco Chile	Standby letter	-	55,000
Guarantee several creditors metals futures market	Codelco Chile	Deposits	-	3,400

Indirect guarantees

<u>Creditor</u>	<u>Debtor</u>	<u>Type of guarantee</u>	<u>Outstanding Payments</u>	
			<u>2008</u> ThUS\$	<u>2009</u> ThUS\$
ABN Amro Bank N.V.	Electroandina	Guarantee	30,038	-
Barclays Bank Plc	Sociedad GNL Mejillones S.A.	Guarantee	100,000	100,000
Morgan Stanley Capital Group Inc.	Sociedad GNL Mejillones S.A.	Guarantee	200,000	200,000
Koch Supply & Trading LP	Sociedad GNL Mejillones S.A.	Guarantee	60,000	60,000
China Development Bank	Copper Partners Investment Company Ltd.	Security interest	272,641	240,565

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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(In thousands of U.S. dollars - ThUS\$)

NOTE 26 - GUARANTEES OBTAINED FROM THIRD PARTIES

The Company has received a number of guarantees that mainly cover supplier and contractors' obligations related to various projects under development. Considering the large number of guarantees received as of December, 2008 and 2009 and the many suppliers and contractors involved, the amounts covered are presented by Division as follows:

	As of December 31,	
	2008	2009
	ThUS\$	ThUS\$
Division:		
Andina	94,982	78,224
Codelco Norte	51,959	59,065
Head Office	186,079	166,104
Salvador	188	190
El Teniente	77,506	81,841
Fundición Ventanas	897	2,167
Total	<u>411,521</u>	<u>387,591</u>

Pursuant to of the merger agreement, on November 6, 2009, between Codelco Chile, Suez Andino Investment S.A. and Suez Energy Andino S.A. (SEA), the latter declares and guarantees to Codelco that, to the best of its knowledge the guarantees granted to each of the companies that are the object of representations and that are part of this agreement, are complete and accurate in all their significant aspects at the date of the referred agreement and except as otherwise communicated by SEA to Codelco, they will be equally complete and real at the closure date.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 27 - ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCIES

Assets and liabilities by currency are as follows:

a. Assets

Item	Currency	As of December 31,	
		2008	2009
		ThUS\$	ThUS\$
Cash and banks	Ch\$	15,379	11,395
Cash and banks	US\$	7,205	11,471
Cash and banks	Pounds Sterling	48	73
Cash and banks	Euro	2,719	1,118
Time deposits	US\$	349,963	561,526
Time deposits	Ch\$	768	32,009
Time deposits	Pounds Sterling	2,738	1,787
Marketable securities	US\$	4,245	-
Marketable securities	Ch\$	3,900	10,640
Trade accounts receivable	Ch\$	723	616
Trade accounts receivable	US\$	466,834	1,339,910
Trade accounts receivable	Pounds Sterling	-	285
Trade accounts receivable	Euro	26,845	112,670
Notes receivable	Ch\$	281	96
Notes receivable	Euro	-	-
Other receivables	Ch\$	123,857	223,351
Other receivables	US\$	208,927	125,766
Other receivables	Euro	2,086	1,129
Other receivables	Pounds Sterling	86	91
Due from related companies	US\$	114,209	114,619
Due from related companies	Ch\$	1,275	-
Inventories	US\$	1,494,047	1,420,231
Inventories	Euro	52,310	34,219
Inventories	Ch\$	275	16,446
Inventories	Pounds Sterling	-	-
Recoverable taxes	Ch\$	428,473	142,276
Recoverable taxes	US\$	13,836	1,066
Recoverable taxes	Euro	3,643	3,698
Recoverable taxes	Pounds Sterling	-	44
Prepaid expenses	Ch\$	3,788	3,012
Prepaid expenses	US\$	11,637	9,754
Prepaid expenses	Pounds Sterling	74	909
Prepaid expenses	Euro	105	66
Deferred taxes	US\$	232,338	130,878
Deferred taxes	Ch\$	354	13
Other current assets	US\$	1,647	144,504
Other current assets	Ch\$	5,329	1,776
Other current assets	Euro	142	-
Other current assets	Pounds Sterling	1,182	9
Property, plant and equipment, net	US\$	8,187,204	9,170,407
Property, plant and equipment, net	Ch\$	19,992	33,737
Property, plant and equipment, net	Pounds Sterling	-	1
Property, plant and equipment, net	Euro	45	32
Investments in related companies	Ch\$	164,165	2,332
Investments in related companies	US\$	912,615	1,112,868
Investments in other companies	Ch\$	144	184
Investments in other companies	Euro	1,504	1,539
Investments in other companies	US\$	706	284
Goodwill	US\$	19,319	18,143
Negative goodwill	US\$	(310)	-
Long-term receivables	Ch\$	177,302	227,384
Due from related companies	US\$	67,452	296,402
Due from related companies	Ch\$	224	224
Intangibles	Ch\$	31,179	28,315
Intangibles	US\$	-	43
Intangibles	Euro	-	2
Amortization of intangibles	Ch\$	(6,550)	(6,550)
Other assets	US\$	441,228	510,033
Other assets	Ch\$	176,625	186,264
Total assets	Ch\$	1,147,483	913,520
	US\$	12,533,102	14,967,905
	Pounds Sterling	4,128	3,199
	Euro	89,399	154,473
Total assets		13,774,112	16,039,097

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 27 - ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCIES (CONTINUED)

b. Current liabilities

		As of December 31,							
		Up to 90 days				90 days to 1 year			
		2008		2009		2008		2009	
Item	Currency	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average Annual Interest rate %
Banks and financial Institutions	US\$	536,262	-	200,019	-	-	-	-	-
Banks and financial Institutions	Euro	21,427	-	12,720	-	-	-	-	-
Banks and financial Institutions	Ch\$	157	-	2,664	-	-	-	-	-
Banks and financial Institutions	US\$	300,365	7.24%	152	-	-	-	-	-
Bonds	US\$	331,267	3.69%	48,303	6.18%	-	-	-	-
Bonds	UF	5,582	3.60%	6,880	3.60%	-	-	-	-
Accounts payable	US\$	763,776	-	787,233	-	-	-	-	-
Accounts payable	Euro	-	-	8,153	-	-	-	-	-
Accounts payable	Ch\$	-	-	4,780	-	-	-	-	-
Notes payable	Ch\$	12	-	25	-	-	-	-	-
Miscellaneous payables	US\$	66,702	-	89,389	-	-	-	-	-
Miscellaneous payables	Ch\$	23,763	-	84,271	-	-	-	-	-
Miscellaneous payables	Euro	-	-	70	-	-	-	-	-
Miscellaneous payables	Pounds Sterling	-	-	263	-	-	-	-	-
Due to related companies	US\$	111,819	-	174,081	-	-	-	-	-
Due to related companies	Ch\$	945	-	11,593	-	-	-	-	-
Accruals	Ch\$	296,862	-	313,415	-	-	-	-	-
Accruals	US\$	184,055	-	182,344	-	-	-	-	-
Accruals	Euro	3,062	-	133	-	-	-	-	-
Withholdings	Ch\$	61,541	-	305,775	-	-	-	-	-
Withholdings	US\$	200,289	-	71,916	-	-	-	-	-
Income taxes	US\$	-	-	55,675	-	-	-	-	-
Income taxes	Ch\$	277	-	477	-	-	-	-	-
Income taxes	Euro	3,025	-	6,127	-	-	-	-	-
Income taxes	Pounds Sterling	50	-	-	-	-	-	-	-
Deferred income	US\$	14,809	-	110,640	-	-	-	-	-
Deferred income	Pounds Sterling	126	-	509	-	-	-	-	-
Deferred income	Ch\$	-	-	1,924	-	-	-	-	-
Other current liabilities	US\$	10,982	-	9,195	-	-	-	-	-
Other current liabilities	Ch\$	1,011	-	-	-	-	-	-	-
Other current liabilities	Euro	-	-	8	-	-	-	-	-
Total current liabilities		<u>2,938,166</u>		<u>2,488,734</u>		<u>-</u>		<u>-</u>	
	US\$	2,520,326		1,728,947		-		-	
	Euro	27,514		27,211		-		-	
	Ch\$	384,568		724,924		-		-	
	UF	5,582		6,880		-		-	
	Pounds Sterling	176		772		-		-	
Total current liabilities		<u>2,938,166</u>		<u>2,488,734</u>		<u>-</u>		<u>-</u>	

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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NOTE 27 - ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCIES (CONTINUED)

c. Long-term liabilities

December 31, 2008:		1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
	Currency	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %
Banks and financial institutions	US\$	650,000	3.300%	-	-	-	-	-	-
Bonds	US\$	-	7.378%	435,000	6.375%	1,000,000	5.503%	1,000,000	5.888%
Bonds	UF	-	-	235,946	4.000%	-	-	232,576	3.290%
Notes payable	US\$	75,528	-	-	-	-	-	-	-
Due to related companies	US\$	92,006	-	80,976	-	202,440	-	54,243	-
Accruals	US\$	122,058	-	-	-	-	-	550,766	-
Accruals	Ch\$	542,097	-	83,702	-	159,795	-	220,669	-
Deferred taxes	US\$	758,013	-	-	-	-	-	-	-
Sundry creditors	US\$	304,977	-	-	-	-	-	-	-
Sundry creditors	Ch\$	1,481	-	-	-	-	-	-	-
Other liabilities	Ch\$	5,538	-	-	-	-	-	-	-
Other liabilities	US\$	82,261	-	-	-	-	-	-	-
Total long-term liabilities		<u>2,633,959</u>		<u>835,624</u>		<u>1,362,235</u>		<u>2,058,254</u>	
	US\$	2,084,843		515,976		1,202,440		1,605,009	
	Ch\$	549,116		83,702		159,795		220,669	
	UF	-		235,946		-		232,576	
Total long-term liabilities		<u>2,633,959</u>		<u>835,624</u>		<u>1,362,235</u>		<u>2,058,254</u>	

December 31, 2009:		1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
	Currency	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %
Banks and financial institutions	US\$	400,000	1.400%	400,000	0.430%	-	-	-	-
Bonds	US\$	435,000	6.375%	1,000,000	5.125%	600,000	7.500%	1,000,000	5.890%
Bonds	UF	289,095	4.000%	-	-	-	-	284,965	3.290%
Notes payable	US\$	111,645	-	-	-	-	-	-	-
Sundry creditors	US\$	209,627	-	70,000	-	-	-	-	-
Accruals	Ch\$	658,096	-	108,384	-	206,915	-	285,740	-
Accruals	US\$	135,728	-	-	-	-	-	564,743	-
Deferred taxes	US\$	1,011,893	-	-	-	-	-	-	-
Other payables	US\$	77,563	-	-	-	-	-	-	-
Other payables	Ch\$	525	-	-	-	-	-	-	-
Due to related companies	US\$	88,588	-	81,796	-	204,490	-	13,893	-
Total long-term liabilities		<u>3,417,760</u>		<u>1,660,180</u>		<u>1,011,405</u>		<u>2,149,341</u>	
	US\$	2,470,044		1,551,796		804,490		1,578,636	
	UF	289,095		-		-		284,965	
	Ch\$	658,621		108,384		206,915		285,740	
Total long-term liabilities		<u>3,417,760</u>		<u>1,660,180</u>		<u>1,011,405</u>		<u>2,149,341</u>	

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NOTE 28 - SANCTIONS

At December 31, 2008 and 2009, Codelco-Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency or other administrative authorities.

NOTE 29 - SUBSEQUENT EVENTS

In the collective negotiation of the worker members of Labor Unions 1, 2 and 3 of the Chuquicamata Work Center of Codelco Norte Division, in order to replace collective contracts that expired at December 31, 2009, said workers by ballot dated January 5, 2010, voted in favour of the Company's offer, with which the legal strike that started in January 4, 2010 came to an end, resuming the normal activities from the first shift of January 6, 2010.

The new collective agreement entered into from January 6, 2010, is in force for 38 months, considers a readjustment of 4% for one time only, and the payment of net bonuses - for one time only - of Ch\$12,140,000 plus an optional low interest loan of Ch\$3,000,000.

These benefits were for ThUS\$204,857, which were paid in January 2010. At December 31, 2009, the Corporation recorded a provision of ThUS\$96,083 applicable to benefits accrued at this date, which are included in withholdings.

On January 20, 2010, Codelco and Colbún S.A. entered into the applicable "Long-term electricity supply agreements", mentioned in Significant events dated September 15, 2009 and September 22, 2009, under which the agreement between Colbún and Codelco was communicated for the long-term electricity supply of Salvador, Andina, Ventanas, and El Teniente Divisions.

On January 29, 2010, the Company informed the retirement right exercised by dissident shareholders of Empresa Eléctrica del Norte Grande S.A. (EDELNOR) with respect to the merger agreement adopted by Edelnors' Extraordinary Shareholders' Meeting held on December 29, 2009. The term to exercise said withdrawal expired on January 28, 2010. Said shareholders were holders of 7,176,940 shares that represented 1.572331% of the total shares issued by EDELNOR prior to the merger. This percentage is lower than the one that would have allowed Suez Energy Andino S.A. and Codelco to revoke the merger or leave the same without effect, in accordance with contracts established among said shareholders in the document called ("Merger Agreement" entered into on November 6, 2009.

Thus, the merger process of Edelnor with Inversiones Tocopilla-1 S.A. has taken place by means of the absorption of the latter by Edelnor, as a consequence of which Inversiones Tocopilla-1 S.A. was dissolved, transferring its total assets and liabilities to Edelnor. Edelnor became the owner of the shares that Inversiones Tocopilla-1 S.A. had in Electroandina S.A. (99.99%), Central Termoeléctrica Andina S.A. (99.99%), Inversiones Hornitos S.A. (60%), Gasoducto Norandino S.A. (78.91%) and Gasoducto Norandino Argentina S.A. (78.91%).

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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NOTE 29 - SUBSEQUENT EVENTS (CONTINUED)

In accordance with current regulations, EDELNOR should pay shareholders that exercised this right Ch\$955.10 per share, equivalent to the weighted average transaction price of EDELNOR'S shares in Chilean Stock Exchange during the two months prior to the Shareholders' Meeting.

On January 29, 2010, Suez Energy Andino S.A. exchanged with Codelco 51,000 shares issued by Inversiones Tocopilla 2-B S.A., for 49,000 shares issued by Inversiones Tocopilla 2-A S.A. plus 22,648 shares issued by Inversiones Mejillones-1 S.A., as a consequence of which Suez Energy Andino S.A. no longer has ownership in the company, and through which Codelco has ownership in Edelnor (Inversiones Tocopilla 2-B S.A.), and Codelco no longer has ownership in the companies through which Suez Energy Andino S.A. participates in Edelnor (Inversiones Tocopilla 2-A S.A. and Inversiones Mejillones-1 S.A.). In addition, on the same date, Suez Energy Andino S.A. and Codelco terminated all the shareholders' agreements provided in relation with the companies where they had jointly ownership (Inversiones Tocopilla-1 S.A., Inversiones Tocopilla 2-A S.A. and Inversiones Tocopilla 2-B S.A., Inversiones Mejillones-1 S.A., Inversiones Mejillones-2 S.A. and Inversiones Mejillones-3 S.A.).

On January 29, 2010, in compliance with obligations assumed in the aforementioned Merger Agreement, Suez Energy Andino S.A. and Codelco, considering that at that date all acts and agreements that should have been materialized at closure date were executed and entered into, and all payments to be made at that date were effectively made, the parties consider the Agreement terminated declaring that there are no charges or observations to formulate between them.

On February 5, 2010, the Corporación paid a surplus advance to the Chilean State for ThUS\$11,126. Said advance is charged to income of 2010.

On February 11, the Corporación acknowledges that by a Chilean Mining Department Communiqué, it was informed that the Chilean President designated as members of the new Codelco Chile Board of Directors Mr. Alberto Arenas de Mesa, Mr. Andrés Sanfuentes Vergara, Mr. Nicolás Majluf Sapag, Mr. Raimundo Espinoza Concha, Mr. Jaime Roberto Gutiérrez Castillo, Mr. Marcos Lima Aravena, Mr. Marcos Büchi Buc, Mr. Gerardo Jofré Miranda and Mr. Jorge Bande Bruck. Mr. Nicolás Majluf Sapag was designed as President of the Board of Directors.

The aforementioned Board of Directors will assume on March 1, 2010.

The decree containing the aforementioned designations is being processed.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 29 - SUBSEQUENT EVENTS (CONTINUED)

On February 22, 2010, Codelco made a payment in advance for the price of the Enami shares purchase option in Anglo American Sur S.A. for ThUS\$163,935 in three installments. The first two amounting each to ThUS\$60,000 to be paid on February 22 and February 25, 2010, respectively, and a third installment to be paid on March 1, 2010.

The Company's management has no knowledge of any other significant events of a financial nature or any other nature, occurring between December 31, 2009 and the date of issuance of these financial statements (February 22, 2010) which might affect them.

NOTE 30 - ENVIRONMENT

The practice of exploration and discovery of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company has defined its environmental commitments, which are controlled through an environmental management system for explorations that has been improved over time to conform to the worldwide standard ISO 14001, which has assisted in geology, geochemical, geophysical and sounding work directed towards the exploration of mineral resources both in Chile and abroad.

Under these circumstances at December 31, 2009, Codelco Norte, formed by the ex-divisions Chuquicamata and Radomiro Tomic Divisions, Andina, Salvador and El Teniente Divisions and Head Office have received the ISO 14001 certification.

In accordance with this policy, at December 31, 2008 and 2009, the Company has made investments, related to environmental issues for ThUS\$53,936 and ThUS\$44,550, respectively.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 31 - TIME DEPOSITS

The composition of time deposits is as follows:

2008

Bank	Annual interest rate %	Amount ThUS\$
Banco del Estado de Chile	0.2500	78,126
Banco Bilbao Vizcaya Argentaria	0.2000	56,840
Sumitomo Mitsui Banking Corporation	0.2200	10,000
Sumitomo Mitsui Banking Corporation	0.3000	35,004
Banco del Estado de Chile	0.2300	19,170
Intesa Sanpaolo SpA, New York	0.2500	90,001
Citi New York	0.1000	2,324
Citi New York	0.1300	8,370
BCI	7.9200	7,130
Banco de Chile	8.5200	1,224
Banco de Chile	8.7600	9,504
BBVA	2.2000	1,445
HSBC	1.2000	902
ABN AMRO Bank	14.5000	32,270
Others	-	1,159
Total		<u>353,469</u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 31 - TIME DEPOSITS (CONTINUED)

2009

Bank	Annual interest rate %	Amount ThUS\$
Citibank New York	0.2300	194,115
Citibank New York	0.0500	793
BCI	0.8000	179,916
Banco Deutsche Bank	0.8000	10,000
BCI Miami	0.8000	50,044
HSBC	0.5000	22,000
Banco Deutsche Bank	0.5000	9,000
BCI Miami	0.7000	49,971
BBVA	0.8500	37,095
Banco de Chile	0.7500	11,845
Banco de Chile	0.8400	800
BCI	0.1900	4,405
BCI	0.2500	9,773
BBVA	0.0700	3,183
BBVA	2.2000	1,607
BRADESCO	0.9850	3,793
SANTANDER	0.9850	3,449
Others	0.0000	3,533
Total		<u>595,322</u>

NOTE 32 - ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

It is public knowledge that Chile is committed to develop a convergence plan to fully adopt International Financial Reporting Standards (IFRS). In accordance with what is established on this matter by the Chilean Institute of Accountants and the Superintendency of Securities and Insurance in Circular N°427 dated December 28, 2007, the Company and its subsidiaries will adopt IFRS on January 1, 2010. This will result in changes in equity balances at January 1, 2010 and affect the calculation of results for future years. For comparative purposes, 2009 annual and interim financial statements must be presented in 2010 in accordance to the new standards, and they may differ from those presented here.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 33 - MINING SITES

The Company's productive activities are conducted in its Divisions; Codelco Norte, (Chuquicamata and Radomiro Tomic), Salvador, Andina, Ventanas and El Teniente. These Divisions operate with independent administrative departments which report to the Chief Executive Officer. In May 2008 the Gabriela Mistral mine was added to the divisions above. The characteristics of each Division are as follows:

Chuquicamata

Type of deposit: Open pit mine
Operation: Since 1915
Location: Calama, Chile's Second Region
Products: SX-EW copper cathodes and copper concentrate

Radomiro Tomic

Type of deposit: Open pit mine
Operation: Since 1997
Location: Calama, Chile's Second Region
Products: SX-EW copper cathodes

Salvador

Type of deposit: Underground mine
Operation: Since 1926
Location: Salvador, Chile's Third Region
Products: SX-EW copper cathodes and copper concentrate

Andina

Type of deposit: Underground mine and open pit mine
Operation: Since 1970
Location: Los Andes, Chile's Fifth Region
Products: Copper concentrate

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

NOTE 33 - MINING SITES (CONTINUED)

El Teniente

Type of deposit: Underground mine
Operation: Since 1905
Location: Rancagua, Chile's Sixth Region
Products: Blister and copper anodes

Gabriela Mistral

Type of deposit: Open pit mine
Operation: Since 2008
Location: Calama, Chile's Second Region
Products: SX-EW copper cathodes

* * * * *

PRINCIPAL DIFFERENCES BETWEEN CHILEAN GAAP AND IFRS

Certain financial information included in the offering memorandum is prepared and presented in accordance with IFRS. Significant differences exist between Chilean GAAP and IFRS, and those differences might be material to the financial information that the Company has provided in this document. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information related thereto. Potential investors should consult their own professional advisors for an understanding of the differences between Chilean GAAP and IFRS and how those differences might affect the financial information provided in this document.

CODELCO's transition date to IFRS was January 1, 2009. CODELCO prepared its opening IFRS statement of financial position at that date. The date of adoption of IFRS by CODELCO is January 1, 2010.

The following is a detailed description of the main differences between Chilean GAAP and IFRS as applied to the Company:

a) Derivative Instruments and Hedging Activities

Under Chilean GAAP, derivative instruments and hedging activities are classified as either hedging contracts or non-hedging contracts. The hedging and non-hedging contracts are both accounted for at their fair value in the financial statements, based on Technical Bulletin No. 57 issued by the Chilean Association of Accountants. Unrealized losses derived from these transactions are to be included in results of operations and unrealized gains are deferred until the related contract matures. Additionally, unrealized gains and losses on hedge forecasted contracts are deferred until the related forecasted transaction takes place or the related derivative contract matures. Additionally, the hedging criteria and documentation requirements under Chilean GAAP are less onerous than IFRS.

IAS 39, "Financial Instruments: Recognition and Measurement," establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. IAS 39 requires entities to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction. The effective portion of the gain or loss on a derivative designated as a cash flow hedge is reported in other comprehensive income, and the ineffective portion is reported in earnings. In the case of fair value hedges, the hedging instrument and the hedged item are marked to market. Unrealized gains and losses on both the hedging instrument and the hedged item are reported in earnings.

A description of the differences between Chilean GAAP and IFRS, by derivative contract type, is included below:

i) Cross-currency swaps: Under Chilean GAAP, cross-currency swaps are valued at the closing spot exchange rate with gains or losses recognized in earnings as other non-operating income or expense.

ii) Interest rate swaps and zero cost collars: Under Chilean GAAP, with the objective of taking the variable interest rate of its long-term syndicated loans obtained between 2003 and 2005 to fixed rate, CODELCO entered into several interest rate swaps for 100% of the principal of such loans.

Under IFRS, should these contracts qualify for "hedge" accounting under the documentation requirements of IAS 39, these instruments would be accounted for as cash flow hedges as follows:

- (a) the mark-to-market adjustment associated with the portion of the financial instrument which is determined to be effective under IAS 39 would be recognized through other comprehensive income,

and recycled to income in the same period or periods during which the hedged forecasted transaction affects earnings, and

- (b) the mark-to-market adjustment associated with the ineffective portion of the financial instrument would be charged (credited) to income.

iii) Embedded derivatives: Current Chilean accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements. For IFRS purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value only if all the criteria in IAS 39 paragraph 11 are met. The Company would separately measure embedded derivatives as freestanding derivative instruments at their estimated fair values recognizing changes in such fair values based on the appropriate accounting as defined under IAS 39 when they occur. The gain or loss on a derivative instrument not designated as a hedging instrument shall be recognized currently in earnings.

iv) Long-term product supply contracts: Certain long-term product supply contracts may qualify as a derivative instrument and hence qualify for fair value accounting under IAS 39 paragraph 9. These contracts would not be considered derivatives under Technical Bulletin 57 of Chilean GAAP. The nature and terms of the contract would be analyzed to determine the appropriate accounting for any fair value adjustments necessary under IAS 39.

b) Capitalization of interest

Under Chilean GAAP companies may, but are not required to, capitalize interest incurred for borrowings that are directly attributable to acquisition, construction or production of “qualifying” assets, which the Company has not elected to apply.

Under IFRS, the capitalization of interest on qualifying assets under construction is required and is intended to be that portion of the interest cost incurred during the assets’ acquisition periods that theoretically could have been avoided if expenditures for the assets had not been made. Capitalized interest under IFRS would be included in the cost of the corresponding assets reducing interest cost. The total amount of interest cost capitalized in an accounting period shall not exceed the total amount of interest cost incurred by the entity in that period. Capitalized interest is depreciated as part of the cost basis of the associated assets using the estimated useful lives of those assets.

c) Bond issuance costs

Under Chilean GAAP bond issuance costs are expensed when incurred.

Under IFRS, issuers of debt initially recognize a liability at its fair value less transaction costs that are directly attributable to the issuance of the debt, unless the debt will subsequently be accounted for at fair value, in which case debt issue costs are expensed immediately. Thus, under IFRS, deferred debt issue costs are presented as a reduction of the related liability. Unlike Chilean GAAP, IFRS require that debt issue costs never be capitalized as an asset.

d) Discount and premium on debt issuance

Under Chilean GAAP, the Company classified the discount and premium associated with the proceeds from its debt issuances as other assets or other long-term liabilities, respectively. Under IFRS, such discount or premium is presented as a reduction of the related liability, and it is amortized using the effective interest rate method.

e) Accrual of net income distributions

As required by Chilean law, the Company must distribute all of its net income to the Chilean government, except for amounts approved by the Ministries of Mining and Finance to be capitalized. Under Chilean GAAP, no

provision is made for this liability prior to its approval by the annual Board of Directors meeting, which takes place subsequent to the year-end or shareholders' meeting in the case of public corporations.

Under IFRS, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provisions are recognized when the Company has a present legal or constructive obligation, as a consequence of a past event, whose settlement requires an output of resources that is considered probable and can be reliably estimated. That obligation can be legal or implied, derived from, among other factors, regulations, contracts, habitual practices or public commitments that create valid third-party expectations that the Company will assume certain liabilities. Therefore, the application of IFRS requires recording a provision over the amounts that will be transferred to the Chilean government in the financial statements in the year in which such profits were generated.

f) Foreign currency exchange differences

Under Chilean GAAP foreign currency exchange differences arising from translation of foreign subsidiaries and foreign equity-method investments are recorded in net income.

Under IFRS, such foreign currency exchange differences would have been recorded and accumulated as a translation adjustment component in equity on a consistent basis for all periods. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognized, but shall not be reclassified to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

g) Investments in related companies

Due to the differences between Chilean GAAP and IFRS of the equity-method investees of the Company, there could arise the recognition of additional differences between Chilean GAAP and IFRS to the Company.

h) Price-level restatement

Under Chilean GAAP, the financial statements of certain subsidiaries and equity-method investees, for which the functional currency is the Chilean peso, are price-level restated to recognize the effects of the variation in the currency's purchasing power during each year. Under IFRS, the circumstances under which price-level restatement is permitted are limited (hyperinflationary economies) and such price-level restatement would not have been performed.

i) Consolidation

Under Chilean GAAP, the requirements for consolidation of a subsidiary in financial statements are based upon majority ownership or exercising control.

Under IFRS, a reporting enterprise must consider the indicators of control in IAS 27, *Consolidated and Separate Financial Statements* and SIC-12, *Consolidation — Special Purpose Entities* to determine whether consolidation is appropriate. Under this model, a reporting enterprise should consider which party controls an entity on the basis of an evaluation of both governance indicators (IAS 27) and economic indicators (SIC-12). While IAS 27 indicates that control is presumed to exist when an entity owns a majority of the voting power of another entity, control may occur without a majority ownership of the voting power of an entity.

j) Decommissioning, Restoration and Similar Liabilities

Under Chilean GAAP, the costs of disposing of tailing dams are measured at their undiscounted estimated obligation amount accrued over the useful life of the associated asset.

Under IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, such obligations are referred to as “decommissioning, restoration and similar liabilities.” Under IAS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. IAS 37 contains requirements on how to measure decommissioning, restoration and similar liabilities. IFRIC 1 requires that changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for in accordance with paragraphs 5-7 of the interpretation.

k) Health care benefit obligations

Under Chilean GAAP, the Company has recognized health care post-retirement benefits granted to some active and retired employees and members of their families, consisting of additional annual contributions to health institutions, so that those employees can achieve a minimum health plan coverage after retirement. CODELCO has recorded a liability for these post-retirement health care benefits making assumptions about the additional costs of the health plans and the expected life of the eligible employees and their beneficiaries and using a discount rate to determine the present value of this obligation.

Under IFRS, an obligation for post-retirement benefits expected to be provided is recognized over the period of time in which the employee attains full eligibility. That accounting reflects the fact that at the full eligibility date the employee has provided all of the service necessary to earn the right to receive all of the benefits that the employee is expected to receive under the plan. The expected post-retirement benefit obligation for an employee is the actuarial present value as of a particular date of the post-retirement benefits expected to be paid by the employer’s plan to or for the employee, the employee’s beneficiaries, and any covered dependents pursuant to the terms of the plan. Measurement of the expected post-retirement benefit obligation is based on the expected amount and timing of future benefits, taking into consideration the expected future cost of providing the benefits and the extent to which those costs are shared by the employer, the employee, or others.

Because the IFRS standard is broader and requires specific actuarial calculations to determine the expected liability instead of the present value method used by CODELCO, differences in the application of the accounting principles would arise.

l) Purchase accounting and impairment of goodwill

In accordance with Chilean GAAP (Technical Bulletin 42) through December 31, 2003, business combinations are accounted for at the carrying amount of the underlying net assets with the excess of cost over net carrying amount recorded as goodwill to be amortized to income over a period not exceeding 20 years. Any carrying amount in excess of acquisition cost resulting in the recording of negative goodwill should be amortized over a period not exceeding 20 years.

With the effective date of Technical Bulletin 72 on January 1, 2004, Chilean GAAP adopted purchase method accounting for business combinations requiring all assets acquired and liabilities assumed to be recorded at their fair value. The excess of cost over net fair value net assets is recorded as goodwill and amortized to income over a period not exceeding 20 years. Any fair value of net assets in excess of acquisition cost resulting in the recording of negative goodwill should be amortized over the useful lives of the non-monetary assets of the acquired entity.

The Company amortizes goodwill over a maximum period of 20 years and negative goodwill over the useful lives of non monetary assets of the acquired entity.

Under IFRS, business combinations are accounted using the acquisition method. Under IFRS, the acquirer shall recognize goodwill as of the acquisition date, measured as the excess of the aggregate fair value of (1) the consideration transferred, (2) any noncontrolling interests in the acquiree, and (3) any previously held equity interest in the acquiree over the fair value of the net assets acquired. If the aggregate of the amounts assigned to assets

acquired and liabilities assumed exceed the cost of the acquired entity (negative goodwill), that excess is recognized as a gain in earnings as of the acquisition date.

Under IFRS, goodwill is not amortized. Instead, goodwill is tested for impairment at a level of reporting referred to as a cash-generating unit (CGU). A CGU is defined as “the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.” The recoverable amount of a CGU (the greater of (1) fair value less costs to sell and (2) value in use) is compared with the carrying amount of the CGU. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss shall be allocated to reduce the carrying amount of the assets of the unit (group of units) in the following order: (a) first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and (b) then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Additional Disclosure Requirements

Disclosures requirements under Chilean GAAP differ in certain respects from those established under IFRS. Certain reclassifications are needed to be made and certain subtotals and clarifying account descriptions are needed to be added in order to present them in accordance with requirements of IFRS. The principal disclosure requirements differences are stated below.

a) Business Segments

Chilean GAAP does not require presentation of information by segment. IFRS 8, “Operating Segments” establishes the standards for reporting operating segments and related disclosures for products and services and geographical areas. Operating segments are defined as components of an entity for which there is separate financial information that is regularly used by the main decision maker to decide how to assign resources and to evaluate performance.

b) Income Taxes

IAS 12, *Income Taxes* requires disclosure of the reconciliation between the statutory tax rate used and the effective tax rate for determination of income tax provision and the disclosure of pre-tax earnings by country.

c) Financial Instruments Disclosure

IFRS 7, *Financial Instruments Disclosures* requires disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management’s objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel. Together, these disclosures provide an overview of the entity’s use of financial instruments and the exposures to risks they create. Furthermore, the fair values of all financial instruments would be disclosed. Financial instrument fair values represent a reasonable approximation of amounts that the Company would have received or paid to counterparties as at the date of the balance sheet to unwind positions or settle debt prior to maturity.

Under Chilean GAAP, there are no such requirements.

d) Pension and post-retirement benefit obligations

Under IFRS, certain disclosures are required for pension and post-retirement benefit obligations, such as contributions, benefits paid, assumptions used in the determination of the obligation, among others.

e) Recent accounting pronouncements

Under IFRS the Company would be required to include recent accounting pronouncements. Under Chilean GAAP, there are no such requirements.

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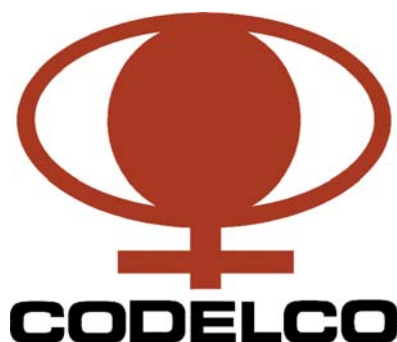
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Corporación Nacional del Cobre de Chile

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Offering Memorandum

Joint Book-Running Managers

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