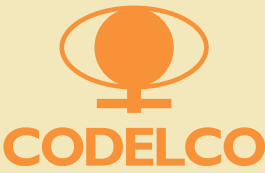


ANNUAL REPORT

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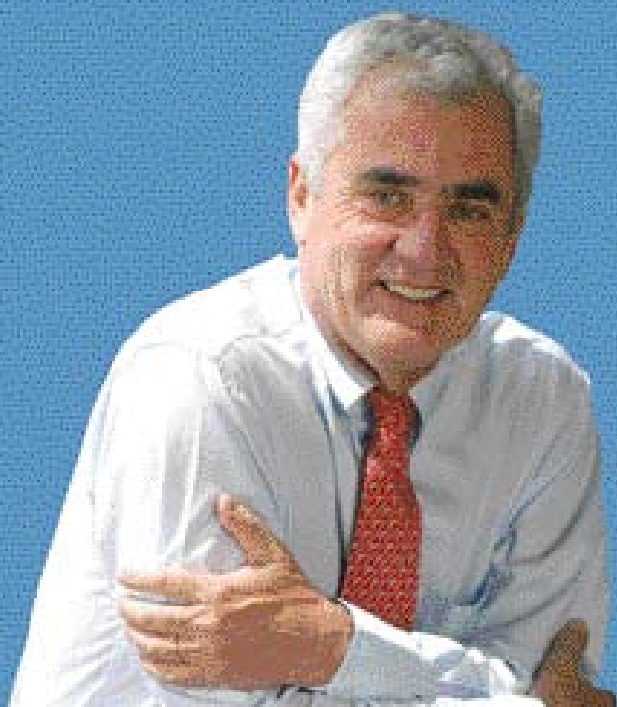




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Codelco has consolidated its reputation as a world-class company and a mayor contributor to Chile's development. This has made it a source of pride to all Chilean women and men, particularly those who for more than 30 years have helped to build this firm.



ALFONSO DULANTO RENCORET | MINISTER OF MINING

Letter from the Chairman of the Board

**“CODELCO IS A PUBLICLY OWNED COMPANY BELONGING TO THE CHILEAN STATE, WHOSE MAIN ACTIVITIES ARE EXPLO-
RING, DEVELOPING AND EXPLOITING COPPER AND BYPRODUCT MINING RESOURCES, AS WELL AS REFINING AND SELLING
THEM. CODELCO’S MISSION IS TO DEVELOP ITS MINING AND RELATED BUSINESS SKILLS, TO MAXIMIZE ITS LONG-TERM
ECONOMIC VALUE AND ITS CONTRIBUTION TO CHILE’S DEVELOPMENT.”**

As President Lagos’ term in office draws to a close, we must remember that during these years Codelco took on a new challenge, based on expanding its strategic alliance between management and workers. The fundamental purpose of this effort has been to double the company’s value and increase its contribution to the national treasury, and thereby finance social plans beneficial to the country as a whole and its communities.

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As Codelco’s President of the Board I have had the opportunity of accessing first hand all relevant information about the company. Based on this, I am convinced that the company operations have made substantial progress in the right direction and it has met its goals of adding value and contributing resources, more than justifying the fact that it belongs to all Chilean men and women.

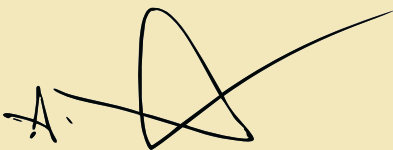
Moreover, Codelco has consolidated its reputation as a world-class company and a mayor contributor to Chile’s development. This has made it a source of pride to all Chilean women and men, particularly those who for more than 30 years have helped to build this firm.

The record-breaking figures for the 2000-2005 period, with revenues of over US\$10 billion, have confirmed that Codelco is Chile’s best business and that as such it should be further developed. It is no coincidence that Codelco is the company most valued by citizens, and the one that has consolidated its prestige as the world’s top copper producer.

Codelco’s management presented a Business and Development Plan to the Board in December 2005. The purpose of this plan is to establish guidelines for the company’s future growth, so that the new management can evaluate and continue its progress.

Codelco faces enormous challenges. One is to provide with a governance system appropriate to its requirements for continuing to develop and compete in world copper mining markets. It must also be capable of implementing the strategic development plan proposed for the next years, which will involve consolidating the organization necessary to manage the projects arising from this plan. Finally, it will have to strengthen its alliance with its workers even further, fundamental condition for meeting its targets in the coming decade.

In these, my last words as President of Codelco’s Board, I would like to express my thanks to all the company’s workers, professionals and executives for their contribution to its growth and the benefits to the country. It has been an honor to head the Board of Chile’s most important company, especially at a time when it has made such significant progress.



Alfonso Dulanto Rencoret
Minister of Mining



JUAN VILLARZÚ ROHDE | PRESIDENT & CEO

Codelco today is a competitive firm, using state-of-the-art technology, with abundant resources and reserves, solid organization, well-prepared teams, and an excellent project portfolio. Turning these strengths into value for all Chileans requires placing a high priority on its business nature.

Letter from the President & CEO

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"IN 2005 CODELCO ACHIEVED THE HIGHEST RETURNS IN ITS HISTORY: US\$4.901 BILLION. THEY REFLECT THE HIGH COPPER PRICE (US\$ 1.67 PER POUND, UP FROM US\$1.30 THE PREVIOUS YEAR) AND THE HIGH MOLYBDENUM PRICE (US\$70 PER KILO, UP FROM US\$ 34 THE PREVIOUS YEAR) AND THE COMPANY'S ABILITY TO MAKE THE MOST OF FAVORABLE MARKET CONDITIONS. CODELCO ACHIEVED THE HIGHEST PROFITS IN THE INDUSTRY, OUTDOING ITS COMPETITION."

Today's results offer the best evidence that the process of change begun in 1994 and resumed in 2000 has been successful. During these years we have turned Codelco into a company focused on creating value for all its shareholders, the people of Chile.

We have doubled reserves with economic value. We have become leaders in technological innovation and development in the fields of bio-mining and underground mining. We have made significant progress toward modernization and integration of our computer platforms, voice, image and data transmission networks, and process automation. We have implemented an integrated development model that offers all employees the chance to acquire skills that, along with their personal performance, will open up new horizons for personal growth and advancement. We have persevered in our commitment to improving environmental conditions and safety on our premises and within neighboring communities. We have certified all our divisions, including our head office, under the ISO-14001 and OHSAS-18001 standards.

We have also developed a new organizational structure, in line with our goal of maximizing value creation, reinforcing the strategic role of our corporate center and seeking to capture potential synergies, as "Codelco: a single company". We have significantly increased investment, but because we did not reorganize and restructure teams to handle greater demand, we have had to reformulate several projects, generating some backups. We responded, separating responsibilities for engineering and construction operations, and today have policies, rules, procedures and teams that allow us to efficiently manage our project portfolio. This will increase fine copper production by almost 50% between 2006 and 2012.

These transformations explain the fact that during these six years we more than doubled the company's value and generated income worth more than US\$10 billion. The estimation of Codelco's financial value to the Chilean state, recently released by Goldman Sachs, currently stands at between US\$24.5 and US\$27.5 billion.

These results are to a large degree the result of the commitment and efforts made by the company's employees, represented by unions. Together we face the challenge of consolidating Codelco as the best business for all Chileans. What is particular about these achievements is that they are the result of a common vision and plans, in which respect for employees' rights and dignity, cooperation, constructive dialogue, and access to training have been key ingredients.

Codelco today is a competitive firm, using state-of-the-art technology, with abundant resources and reserves, solid organization, well-prepared teams, and an excellent project portfolio. Turning these strengths into value for all Chileans requires placing a high priority on its business nature.

I have had the honor of being associated with Codelco's senior management since March 1994 and have held the post of President and CEO for almost nine years. I took charge of the company, along with an exceptionally talented team, at a time when it was experiencing a serious crisis. Today it is one of the most profitable firms in the industry, with the most potential for growth. It has the reserves, the technology, the projects and the human teams necessary to boost production to 2,600,000 fine tons of copper by 2012 and, eventually, 3 million tons by 2015. To turn this potential into value creation, it is vital to strengthen the company's ability to compete unhampered in the global market.

2005 marked the completion of a cycle begun 12 years ago. The foundations for Codelco's future have been soundly laid, the road ahead and the obstacles to overcome are well known, and the means to do so are at hand.

JUAN VILLARZÚ ROHDE | PRESIDENT & CEO

Although during these years we have enjoyed enormous autonomy in our management, there is no guarantee this will continue.

For the future, we must build a national consensus regarding Codelco's governance that will give the company the autonomy it needs to compete in equality of conditions with its peers throughout the industry and guarantee to all shareholders - that is Chileans, represented by the government - that their main asset is being managed transparently and efficiently.

The legislation currently governing Codelco provides no satisfactory answer to this question and there is enormous pressure (from the Finance Ministry, Congress Members, the Comptroller General of Chile, the Council for Defense of the State) to limit Codelco's autonomous management and force it to comply with the rules that apply to companies in which the State holds a majority interest (51% or more). This is one of the objectives behind the draft law on publicly owned firms being proposed by the government, which is currently frozen because the senate refuses to legislate.

To limit management autonomy is, undoubtedly, the wrong road to take. It would inevitably lead to a loss of value and the reemergence of attempts to privatize. After all this time associated with the company's leadership, I am convinced that it is possible to reconcile managerial autonomy with protection of ownership rights, provided the following changes are introduced into the legislation governing this firm: (i) its legal status should be changed to make it a private corporation with a shareholders' board (juntas de accionistas) instead of a State-owned firm, with the President of Chile holding 100% of the shares; (ii) placing a lien upon or selling its shares, including

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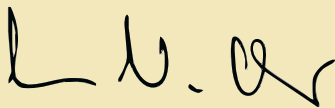
those resulting from any future capital increase, should be prohibited, except for situations covered by a law requiring a specific quorum; (iii) a board of directors selected for their excellence should be created, empowered to manage the company, with the State’s representatives holding a majority, appointed by the President of Chile, but sharing authority with independent board members and employee representatives; (iv) the roles of the Ministries of Finance and Mining, Cochilco and the budgetary regime should be reviewed and specified more clearly, in the terms stipulated in the draft law on this subject that passed the first stage of consideration in the Chamber of Deputies in 1995; (v) the Superintendence of Securities and Insurance should be endowed with the human resources necessary to fully exercise its supervisory role; and (vi) regulations minimizing potential conflict of interest and guaranteeing the maximum transparency compatible with the discretion necessary for commercial, strategic or third-party considerations should be applied. Achieving the support necessary to propose and approve these amendments to Codelco’s legal regime is one of the main tasks to be taken up by the board and management that will lead the company from next March on.

Copper accompanies development but is also a source of development. It was present in every leading industry during the XXI century. Energy efficiency, recyclability, the communications explosion, asepsis, are all attributes or conditions that explain its current and future strength, particularly with the emergence of China and India in the world economy and their impact on copper demand and other natural resources.

We have an enormous opportunity ahead and we are prepared to get more out of it than any of our competitors. This depends on us.

2005 marks the completion of a cycle begun 12 years ago. The foundations for Codelco’s future have been soundly laid; the road ahead and the obstacles to overcome are well known, and the means to do so are at hand. For the future, the focus must be less on transformation and change and more on implementation. This will require new capacities, skills and leadership. This is change for our times.

These years have been the best in my professional life. I can only thank the women and men who, as part of their jobs, have accompanied me in this beautiful adventure of demonstrating that a state-owned company can be a leader in production, competitiveness, profitability and social responsibility. Thanks for the lessons that I learned from you every day, for the confidence and affection you placed in me. Thanks for the effort to do



Juan Villarzú Rohde
President & CEO

Board of Directors

- 01

Alfonso Dulanto Rencoret
Chairman / Minister of Mining
Civil Engineer, P. Catholic
University of Chile
- 02

Nicolás Eyzaguirre Guzmán
Director / Minister of Finance
Economist, University
of Chile
- 03

Patricio Meller Bock
Director / Representative of his
excellency, the President of the
Republic
Civil Engineer, University of Chile



- 04

Jorge Navarrete Martínez
Director / Representative of his
excellency, the President of the
Republic
Economist, University of Chile



- 05

Bismarck Robles Guzmán
Director / Representative of
the Copper Workers Federation
Chemical Engineer, Catholic
University of the North



- 06

Ricardo Ortega Perrier
Director / Representative of his
excellency, the President of the
Republic
Air Force Chief of Staff



- 07

René Valdenegro Oyaneder
Director / Representative of the
National Association of Copper
Supervisors, Civil Engineer,
Federico Santa María Technical
University



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04 05



06 07

Juan Villarzú Rohde
**PRESIDENT & CHIEF
 EXECUTIVE OFFICER**
 Economist

Francisco Tomic Errázuriz
**SENIOR VICE-PRESIDENT OF
 HUMAN DEVELOPMENT
 AND FINANCE**
 Economist

Juan Enrique Morales Jaramillo
**SENIOR VICE-PRESIDENT OF
 DEVELOPMENT**
 Mining engineer

Senior Management



Juan Eduardo Herrera Correa
**SENIOR VICE-PRESIDENT OF
 STRATEGY & BUSINESS**
 Economist

Fernando Vivanco Giesen
**SENIOR VICE-PRESIDENT OF
 PROJECTS**
 Mining engineer

Roberto Souper Rodríguez
SENIOR VICE-PRESIDENT OF SALES
 Economist

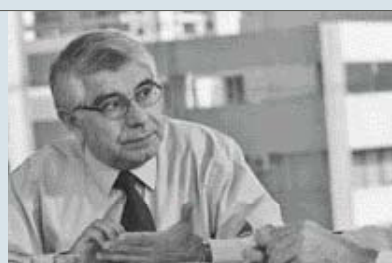
Isabel Marshall Lagarrigue
**SENIOR VICE-PRESIDENT OF
 OPERATIONAL EXCELLENCE,
 PROMOTION & SUSTAINABILITY**
 Economist and sociologist

Waldo Fortin Cabezas
CHIEF OF LEGAL AFFAIRS
 Lawyer

Fernando Moure Rojas
**SENIOR VICE-PRESIDENT OF
 SHARED SERVICE**
 Chartered accountant

Nelson Pizarro Contador
**SENIOR VICE-PRESIDENT
 CODELCO NORTE DIVISION**
 Mining engineer

Julio Cifuentes Vargas
**GENERAL MANAGER
 SALVADOR DIVISION**
 Mining engineer



Daniel Trivelli Oyarzún
**GENERAL MANAGER
 ANDINA DIVISION**
 Mining engineer

Ricardo Álvarez Fuentes
**GENERAL MANAGER
 EL TENIENTE DIVISION**
 Mining engineer

Alex Acosta Maluenda
**GENERAL MANAGER
 VENTANAS DIVISION**
 Economist

All-time high figures

PRE-TAX PROFITS

US\$ 4,901
MILLION

PRODUCTION

1,831
THOUSANDS OF FINE TONS

Financial information

(US\$ million)

	2001	2002	2003	2004	2005
Sales	3,588	3,490	3,782	8,204	10,491
Pre-tax profits	412	369	606	3,301	4,901
Treasury payments	370	326	735	3,009	4,442
Total assets	6,120	6,733	8,092	8,833	10,739
Total liabilities	3,411	4,000	5,268	5,960	7,798
Equity	2,700	2,733	2,821	2,872	2,941
Investment ⁽¹⁾	586	845	895	893	1,845
Copper production ⁽²⁾ (Thousands of fine tons)	1,699	1,630	1,674	1,840	1,831
Direct employment (as of December 31 st)					
Own personnel	17,166	16,906	16,595	16,778	17,880
Operating contractors	13,773	14,140	17,614	19,929	24,951
Investment contractors	5,346	12,450	9,320	8,683	7,890
Copper price (US\$/lb) LME grade A cathodes	71.6	70.6	80.7	130.1	167.1

(1) Includes deferred expenses. (2) Includes Codelco's share of El Abra

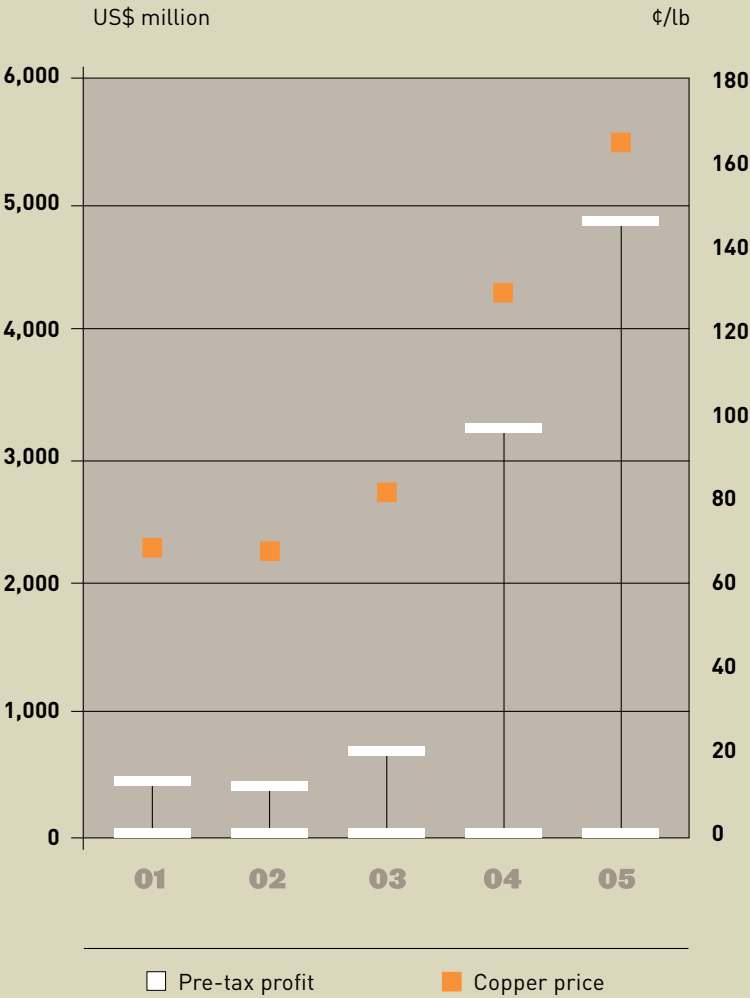
COPPER PRICE

167.1 ¢/lb

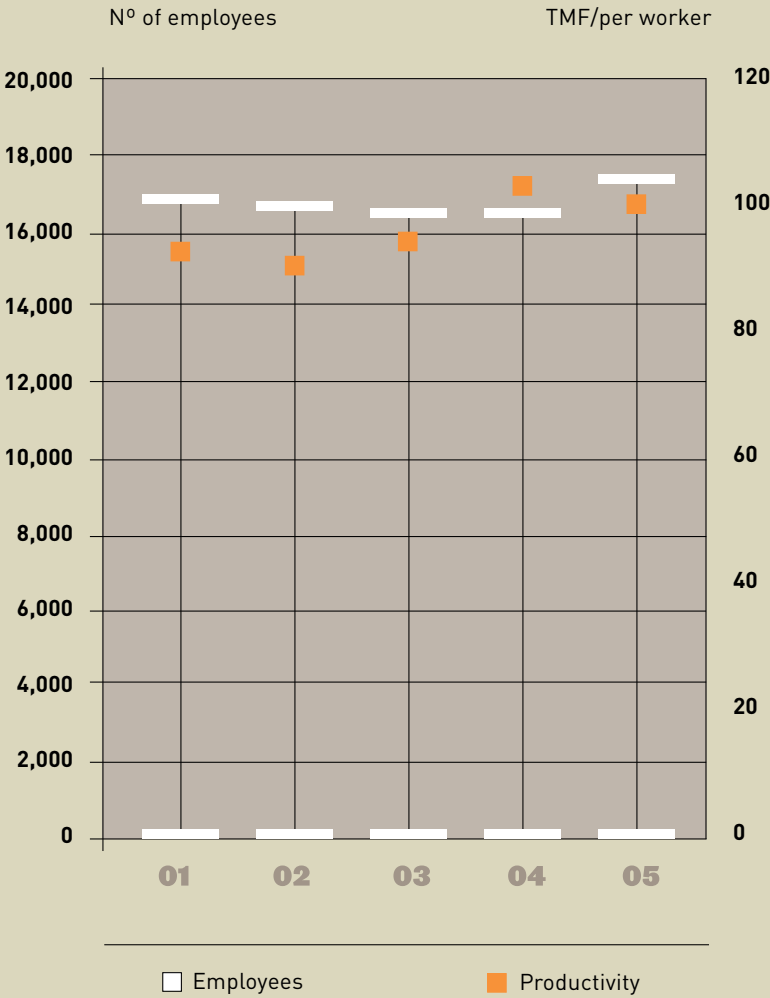
INVESTMENT

US\$ 1,845
MILLION

Pre-tax profit and copper price



Own employees and productivity



Division
Codelco Norte

ORE BODY: OPEN PIT MINE.

OPERATION: CHUQUICAMATA SINCE 1915 AND RADOMIRO TOMIC SINCE 1997.

LOCATION: CALAMA, SECOND REGION.

PRODUCTS: ELECTRO-REFINED AND ELECTRO-WON CATHODES, AND COPPER CONCENTRATE (CHUQUICAMATA) AND ELECTRO-WON CATHODES (RADOMIRO TOMIC).

PRODUCTION: 964,930 METRIC FINE TONS OF COPPER.

CASH COSTS: -16.8 ¢/lb

EMPLOYEES: 8,168 AS OF 31 DECEMBER 2005.

Division
Salvador

ORE BODY: UNDERGROUND MINE.

OPERATION: SINCE 1959.

LOCATION: SALVADOR, THIRD REGION.

PRODUCTS: ELECTRO-REFINED AND ELECTRO-WON CATHODES, AND COPPER CONCENTRATE.

PRODUCTION: 77,520 METRIC FINE TONS OF COPPER.

CASH COSTS: 112.5 ¢/lb

EMPLOYEES: 1,821 AS OF 31 DECEMBER 2005.

Division
Ventanas

SMELTER & REFINERY

OPERATION: SINCE 1954, SMELTER; SINCE 1966, REFINERY.

LOCATION: VALPARAISO, FIFTH REGION.

PRODUCTS: COPPER CATHODES, GOLD LINGOTS AND GRAINS OF SILVER.

EMPLOYEES: 1,002 AS OF 31 DECEMBER 2005.



Division
Andina

ORE BODY: UNDERGROUND MINE AND OPEN PIT.

OPERATION: SINCE 1970.

LOCATION: LOS ANDES, FIFTH REGION.

PRODUCT: COPPER CONCENTRATE.

PRODUCTION: 248,137 METRIC FINE TONS OF COPPER.

CASH COSTS: 36.1 ¢/lb

EMPLOYEES: 1,250 AS OF 31 DECEMBER 2005.

Division
El Teniente

ORE BODY: UNDERGROUND MINE.

OPERATION: SINCE 1905.

LOCATION: RANCAGUA, SIXTH REGION.

PRODUCTS: FIRE-REFINED AND COPPER ANODES.

PRODUCTION: 437,393 METRIC FINE TONS OF COPPER.

CASH COSTS: 45.2 ¢/lb

EMPLOYEES: 4,976 AS OF 31 DECEMBER 2005.

Codelco Chile
Divisions



CODELCO
HAS FIVE MINING DIVISIONS
LOCATED BETWEEN THE
SECOND AND SIXTH REGION.
CODELCO'S HEAD OFFICE ARE
LOCATED IN SANTIAGO.



Corporate profile

“CODELCO’S VISION OF THE FUTURE SEEKS TO CONSOLIDATE ITS CURRENT LEADERSHIP AS THE WORLD’S MAIN COPPER PRODUCER, REMAIN AMONG THE MOST COMPETITIVE AND LOW-COST FIRMS IN THE WORLD INDUSTRY, AND INCREASE ITS CONTRIBUTION TO THE CHILEAN TREASURY.”

Codelco is a world-class Chilean Corporation. It has the world’s largest and best copper reserves. It is a leader in the mining and process technology and know-how. It has a business model and organizations that stimulates value creation. Its employees are motivated and trained to participate in building the company’s future, led by highly skilled executives.

The Corporación Nacional del Cobre de Chile, Codelco, is the world’s top copper producer and one of the industry’s most profitable companies. Codelco’s owned assets are worth in excess of US\$10.739 billion and in 2005 its equity reached US\$2.941 billion. Its main commercial product is grade A copper cathodes.

The company operates through four mining divisions: Codelco Norte (Chuquibambilla and Radomiro Tomic orebodies); Salvador, Andina and El Teniente. Since May, 2005, the Ventanas Smelter and Refinery is Codelco’s fifth Division. It also holds shares in major mining ventures such as El Abra (49%), and other mining joint ventures focusing on geological exploration in Chile and abroad.

Codelco has built its world leadership in the copper industry on five major pillars:

Leading presence: In 2005, Codelco produced 1,831,183 metric fine tons of copper, including its share of El Abra. This 15.1% of total western world production. Codelco also was the world’s top molybdenum producer, with 36,567 tons in 2005.

Cost efficiency: The company is one of the industry’s lowest cost producers, with this figure reaching 11.6 cents per pound in 2005.

Copper reserves: Codelco owns the world’s highest known copper reserves. It is estimated that current reserves will ensure more than 70 years of operations at current production levels.

A stable and geographically diverse customer portfolio: Codelco has developed long-term relationships with a stable and diverse group of customers, including some of the world’s main manufacturing companies.

Financial strength: At the end of the 2005 fiscal year, Codelco’s EBITDA stood at US\$6.052 billion.

→ CREATION AND LEGAL FRAMEWORK

Codelco belongs to the Chilean State and is involved in mining, selling and manufacturing. Decree Law N° 1,350 (1976), brought together in a single company the large orebodies nationalized in 1971. Codelco is related to the Government through the Ministry of Mining and is governed by ordinary law, except for specific provisions included in the above mentioned decree.

→ **LEGAL NAME:** Corporación Nacional del Cobre de Chile

→ **RUT:** 61.704.000-K

→ ADMINISTRATION

The company is led and supervised by the Codelco Board, composed of the following: the Minister of Mining; the Finance Minister; three members appointed by the President of Chile; and two members also appointed by the President of Chile, from a list of candidates presented by the employees’ and supervisors’ unions.

The president and CEO is appointed by the Board and is responsible for supervising all of the companies’ productive, financial and administrative activities.

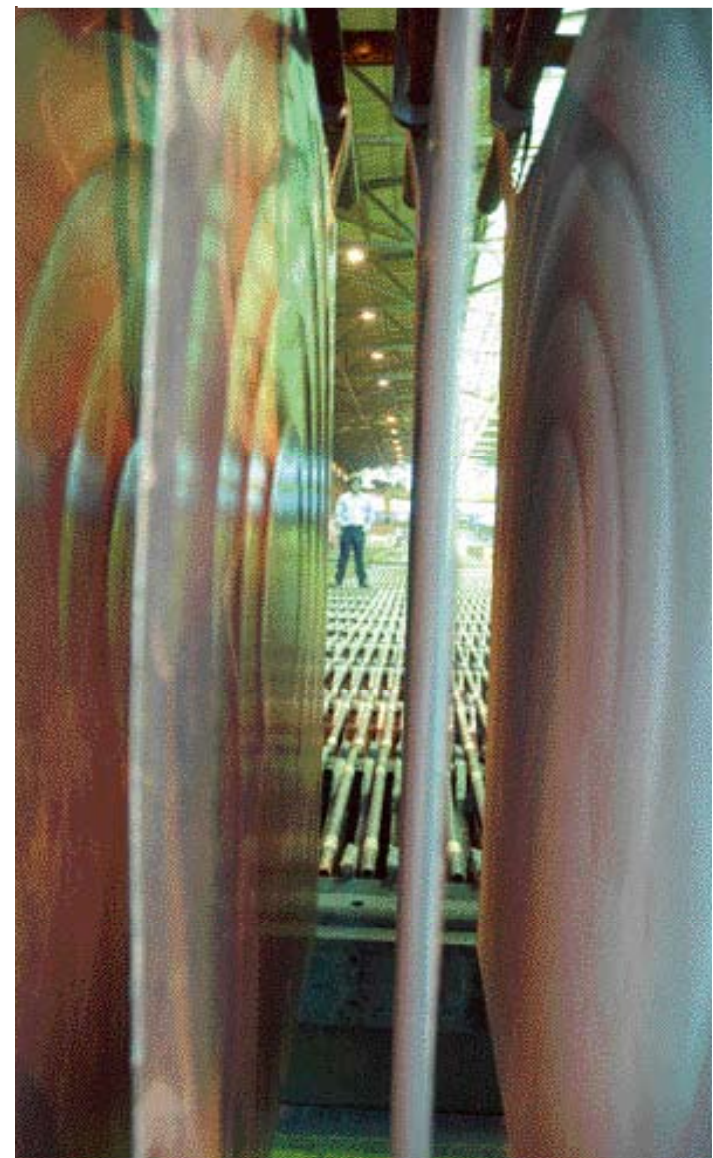
→ BUDGET

Codelco’s annual budget is approved through a supreme decree jointly issued by the ministries of mining and finance.

→ ENFORCEMENT

Codelco is monitored by Chile’s national comptroller’s office (Contraloría General de la República) through the Chilean Copper Commission (Comisión Chilena del Cobre).

The company is registered with the Superintendence of Securities and Insurance, as N° 785, and is subject to the Securities Market Law. As such it must give the Superintendence and the general public the same information as required of open limited liability companies.



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A century of large-scale mining

"IN 2005, LARGE-SCALE MINING IN CHILE CELEBRATED ITS 100TH ANNIVERSARY. ITS ROOTS GO BACK TO THE START-UP OF THE EL TENIENTE MINE IN CHILE'S SIXTH REGION. MANY PUBLIC EVENTS MARKED THE REMEMBRANCE OF THE GREAT STORY THAT BEGAN WITH THIS SCALE OF COPPER MINING OPERATION."

→ HISTORY

Chile, through Codelco, is the world's leading copper producer. Our country has the world's largest known copper reserves, stretching from the Atacama desert to the far south, and its mining has inherited a long copper tradition, which goes back to the first inhabitants of this continent's high plateaus.

During the Colonial years, copper mining was developed from the Huasco valley southward.

Later, in the 19th century, copper became one of Chile's main exports and the country one of the world's leading three producers.

In the early 20th century, many American firms made large investments in El Teniente and Chuquicamata mines. Until then, our country accounted for a small share of large-scale copper mining. Then, in 1951, the Washington agreement gave Chile control of 20% of its copper production, allowing the government to significantly boost its participation.

In 1955, the Senate passed a series of laws to guarantee a minimum income for the Chilean State and encourage large companies to invest.

On 5 May of the same year, the Copper Department was created, to monitor and participate in the international copper market.

→ "CHILENIZATION"

In 1966, Law N° 16,425 authorized the creation of mixed ownership companies involving the Chilean state and foreign copper producers, with the Chilean government holding at least 25% of the orebodies in foreign companies' hands.

In 1967, the El Teniente, Chuquicamata and Salvador mines became mixed companies, with Codelco taking over 51% ownership. The remaining 49% went to the Braden Copper Company, in El Teniente's case, and Anaconda Copper Company, in the case of Chuquicamata and Salvador.

In 1967, 25% of Andina and Exótica were taken over by Codelco, with the remaining 75% of Andina going to the Cerro Corporation, and 75% of Exótica going to Anaconda.

→ NATIONALIZATION

In 1971, with an amendment to Art. 10 of the Chilean constitution, copper was nationalized. A transitory law established that in the national interest and as part of exercising the State's inalienable and sovereign interest to freely dispose of natural resources and wealth, the foreign companies making up Chile's large-scale copper industry became the exclusive property of Chile.

With this constitutional change, all foreign copper producers operating in Chile were nationalized.

On 1st April 1976, Decree Law No. 1,350 created the Corporación Nacional del Cobre de Chile, Codelco Chile. The company brought together existing deposits into a single, legally constituted mining, manufacturing and commercial company with its own equity, of indefinite duration, dealing with the Government through the Ministry of Mining.

→ EL TENIENTE

El Teniente's history goes back to pre-Hispanic times, when the mineral deposit was exploited on a small scale.

In 1897, the mine's owners, Enrique Concha and Carlos Irarrázaval, decided to develop a large-scale operation, which required major capital.

They invited an Italian engineer, Marco Chiapponi, who interested William Braden in the mine. In a partnership with E. W. Nash and Barton Sewell they created the Braden Copper Company in 1904.

In 1905 work began on the infrastructure necessary to operate the mine. State-of-the-art technology was used and a major production complex formed. That same year, large-scale industrial mining began at El Teniente.

In 1915, the Braden Copper Co. became a subsidiary of the Kennecott Copper Co., and by 1945 it had consolidated as a prosperous firm in Chile and elsewhere in Latin America.

As part of the Chilenization of copper, in 1967 the Sociedad Minera El Teniente SA was created, as a joint venture between the Chilean State and Kennecott, with the State holding 51% of shares.

In 1971 the company became completely state-owned, when Congress unanimously approved the Popular Unity Government's proposal for nationalizing the major copper companies.

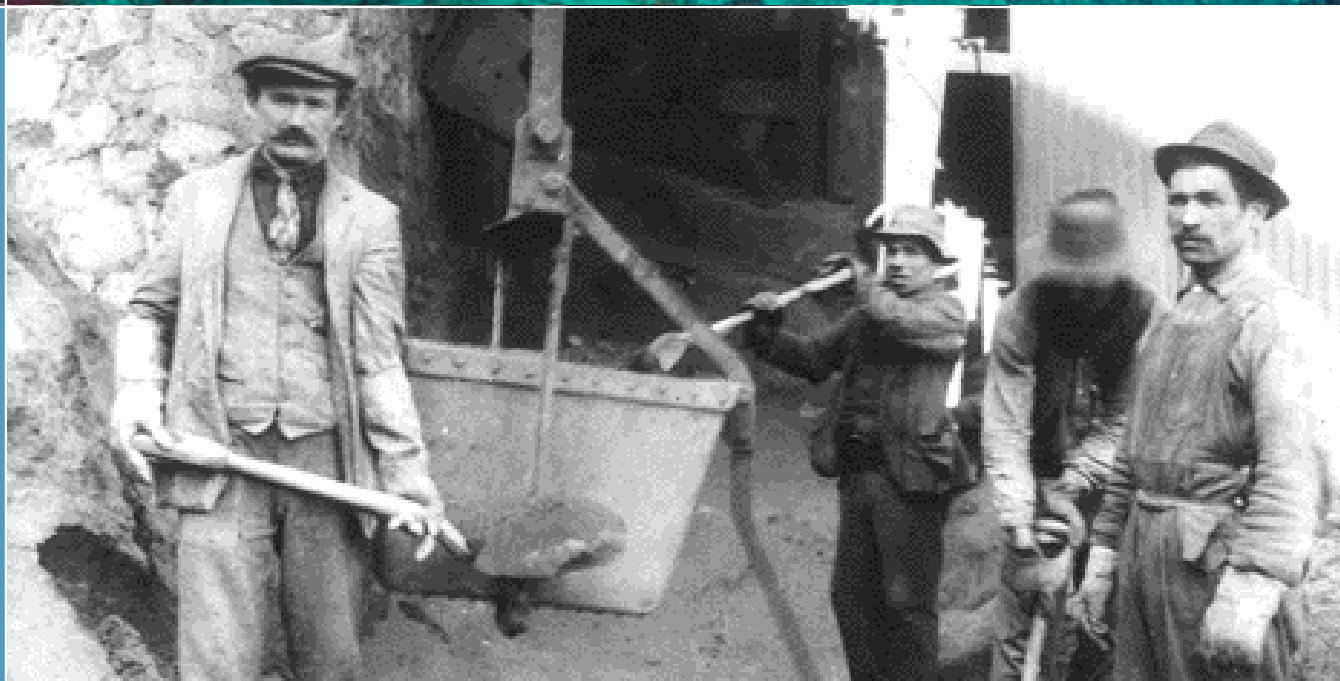
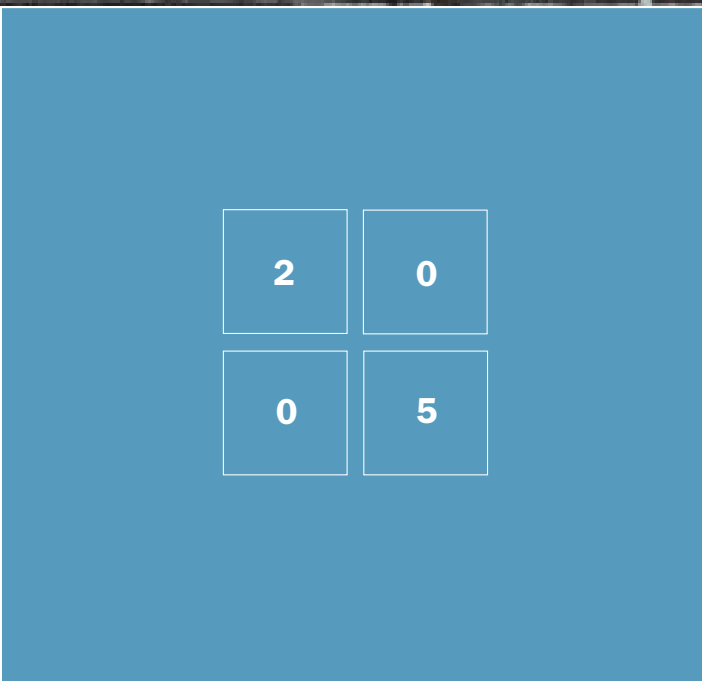
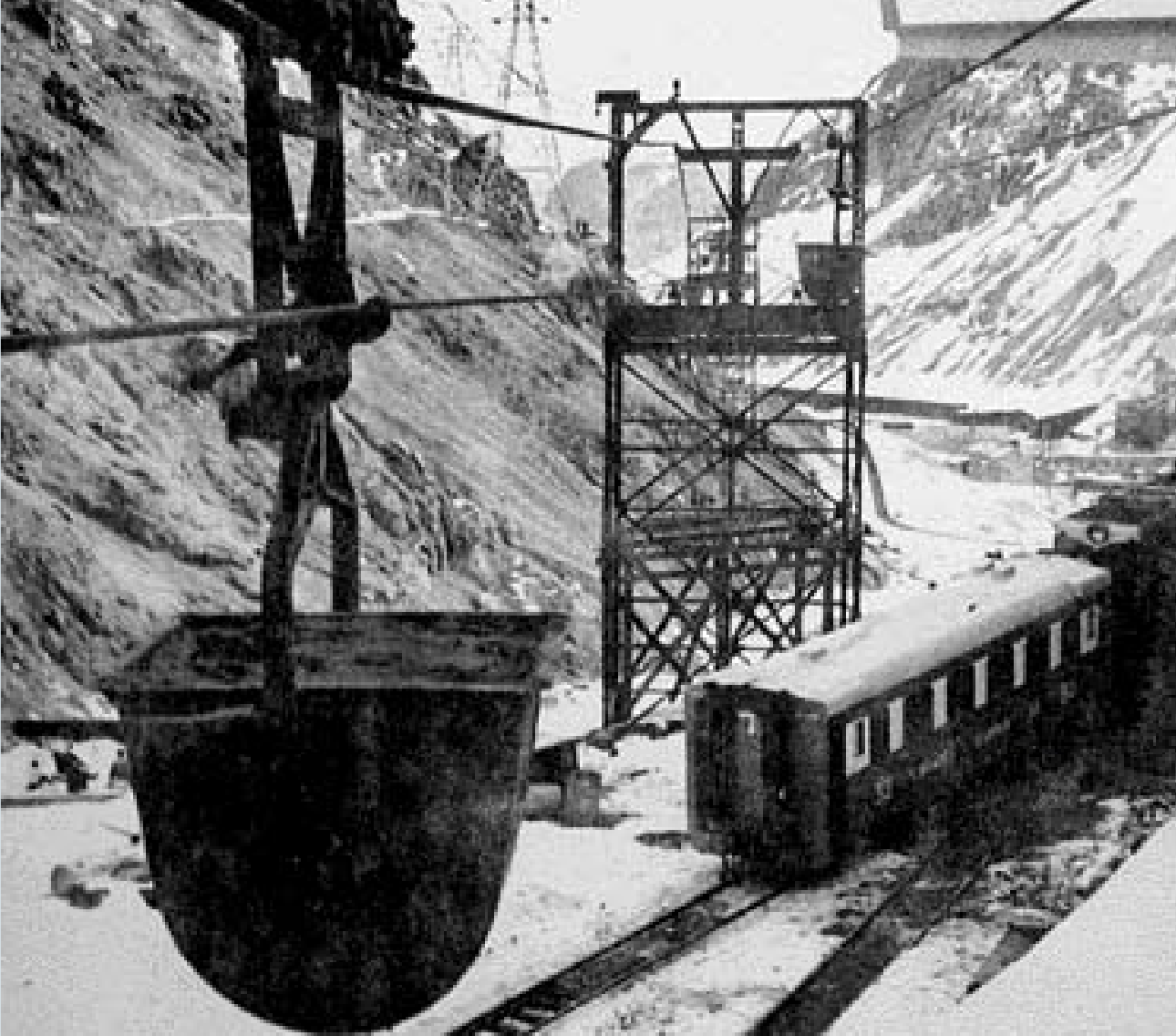
In the 1950s, the company had studied moving the company's workers and their families from the camp in Sewell to the town of Rancagua. This plan finally came into effect between 1968-1980. From the 1970s on, much of Sewell was demolished, but fortunately its central area was saved.

Dureng 1980-1998 Sewell facilities were used for housing mining contractors. In 1998, however, the Caletones Decontamination Plan required moving all the population.

That same year, Sewell was declared a National Monument, with Codelco developing a conservation plan to preserve and document its heritage value.

In January 2005, an application for the former Sewell mining camp to become a World Heritage Site was delivered to UNESCO's Paris office.





HIGHLIGHTS 2005

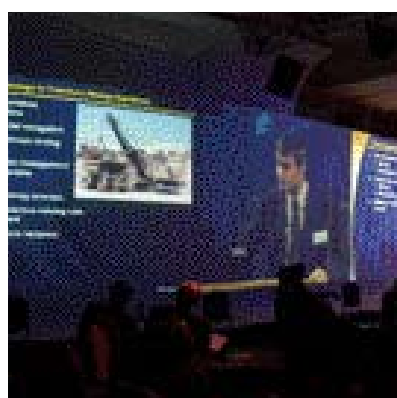
APRIL 2005

Celebration of El Teniente's 100th anniversary

On 29 April, in Sewell Chilean president Ricardo Lagos, ministers, congress members, regional authorities, leaders of the mining sector, union leaders and employees celebrated the 100th anniversary of El Teniente and large-scale mining in Chile.

Other events involved authorities and the community in general in the celebration, among them a tribute by the Congress in full the Te Deum presided over by the diocesan bishop of the Sixth Region, Monsignor Alejandro Goic; a massive event in the El Teniente stadium; the exhibition "La Mina en la Ciudad" (The Mine in the City) and the issue of a special commemorative stamp.

04 / 2005



JULY 2005

Deep Impact space project

NASA's Deep Impact project ended successfully. It consisted of launching a copper projectile into the Tempel 1 comet, to create a crater that would allow scientists to study the comet's insides. Copper was chosen because of its special characteristics. It was provided by Codelco's Salvador Division, as a result of a strategic agreement between NASA, the University of Chile and Codelco.

07 / 2005

05 / 2005

MAY 2005

Ventanas, a new Codelco division

The Ventanas Smelter and Refinery officially became Codelco's fifth division once the official transfer took place in the Fifth Region. It had previously belonged to Chile's national mining company (Empresa Nacional de Minería, Enami).

This reinforced Codelco's complex of smelters and refineries. Ventanas adds value and self-sufficiency to Codelco's entire production chain, processing copper concentrates and anodes from the Andina and El Teniente divisions, among other products.

The Ventanas Division, in Puchuncaví, has an installed capacity of 420,000 tons of concentrates per year, while refinery capacity is 350,000 mft of copper cathodes.

09 / 2005

SEPTEMBER 2005

Successful placement of Codelco bonds in international markets

Codelco issued a US\$500 million bond maturing in 30 years at 5.625% annually, for a 118 basis point spread over the US Treasury's 30-year bond.

This was Codelco's first 30-year bond and the interest rate was the lowest yet for a Chilean issuer for this kind of maturity.

The spread Codelco obtained was similar to that applied to world-class mining firms, such as BHP Billiton and Rio Tinto.

The 30-year maturity will allow the company to:

- Significantly extend liability maturity without negatively affecting financing costs, thus permitting a better fit with the long-term nature of the mining business.
- Make the most of historically low rates and the reduced differential between 10- and 30-year rates.

Codelco-Minmetals negotiations

In 2005, Codelco made progress in its negotiations with China Minmetals Non-ferrous Metals Co. Ltd., to create a joint venture (50% owned by each) called Copper Partners Investment Company Ltd. ("Cu-PIC"), to buy and sale copper over the long term.

CuPIC should buy Codelco copper cathodes through a long-term supply contract, with an up-front payment for a significant portion of the price and pay the price balance on each shipment of fine copper. The price balance takes into account the real fixed base price and an adjustment formula for the period covered by the contract, taking into consideration inflation and market prices in effect at the time of shipment.

Minmetals, meanwhile, would buy from CuPIC during the life of the contract at spot market prices that include premiums determined by Codelco in its direct sales to the Chinese market. The long-term contract extend for 15 years, involve 55,750 tons per year and an up-front payment of US\$ 550 million. As of 31 December the last details of the contract were being settled.

The Board also ratified Minmetals' option for purchasing a minority share at market price, in the company that will develop the Gaby deposit, subject to Codelco's decision to go ahead with this project.



09 / 2005

SEPTEMBER 2005

International conference on technology innovation

The international conference "Technological Innovation in Codelco: a World Scale Experience," brought together distinguished specialists from the company itself and other Chilean and foreign companies, to discuss innovation in global companies and the results of Codelco's management model, as a source for creating value.

12 / 2005

DECEMBER 2005

Codelco doubled its worth

Codelco's financial value is estimated at between US\$24.5 and US\$27.5 billion, according to a study carried out from June to December 2005, by Goldman Sachs, one of the world's main financial institutions.

For the study, Goldman Sachs interviewed Codelco's main executives to obtain information on its business, operations, financial conditions and future projections, as well as visiting mines and other relevant facilities. It compared Codelco's financial information with that available for other mining firms, and with information from the stock market.

The result confirmed Codelco's solid management record in recent years and categorically confirmed the fact that the commitment to double value made to the country was successfully completed.



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**US\$ 4,901
million**

Pre-tax profits generated
by Codelco in 2005.

Economic-financial results

In 2005, the copper price continued to rise, as did consumption.



Financial and economic results

The company's pre-tax profits reached US\$4.901 billion in 2005, up 48% from US\$3.301 billion in 2004. This income refers to earnings before income tax and application of Law N° 13,196, which charges 10% on returns in foreign currency resulting from sales of copper and byproducts abroad.

Operating revenues reached US\$10.491 billion, up 28% from 2004. Higher copper and molybdenum prices were the main factors in this increase.

In 2005, the average copper price on the London Metal Exchange reached 167.1 cents per pound, up 37 cents per pound over the previous year.

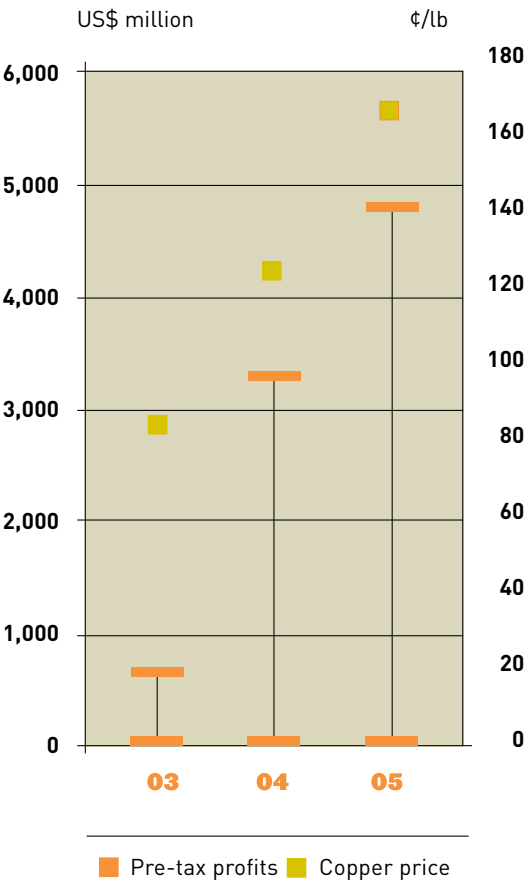
Contribution to the treasury

In 2005, Codelco contributed a total of US\$4.442 billion to the national treasury, up from US\$3.009 billion the previous year. This takes the form of income tax, contributions under Law N° 13,196, and dividends paid out.

Contribution to the treasury

	2005	2004
Income tax	2,214	1,334
Law N° 13,196	782	556
Dividends	1,389	1,003
Other charges	57	116
Total	4,442	3,009

Pre-tax profits and copper price



Molybdenum, the main byproduct from copper, averaged US\$ 70.48 per kilo.

The EBITDA (calculated as operating income plus depreciation and amortization) reached US\$6.052 billion in 2005, well up from US\$4.066 billion in 2004.

Costs

In 2005, net cathode costs and cash costs fell significantly from the previous year.

Total costs for the period reached 97.8 cents per pound, up from 2004. This change primarily reflected the exchange rate, larger provisions and write-offs, and higher prices on some of Codelco's main inputs.

Net cathode costs express the cost of producing grade A copper cathodes, including sales credits on byproducts. Net cathode costs were 38.1 cents per pound, down from 55.7 cents per pound in the previous fiscal year.



Unit costs

(cents per pound)

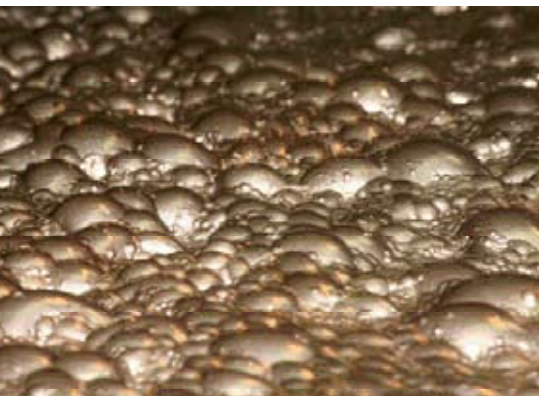
	2005	2004
Net cathode costs	38.0	55.7
Cash costs	11.6	31.7
Totals costs	97.8	81.3

Cash costs are widely used throughout the industry and therefore permit comparison with other producers. They are based on net costs minus depreciation and spending by the head office. In 2005, cash costs for cathodes reached 11.6 cents, down from 31.7 cents during the previous fiscal year.

A major factor in reducing costs was the high income from molybdenum sales. As this income rose, the cost of producing copper fell, as the income from this byproduct offsets copper production costs. In 2005, income from molybdenum reached US\$2.255 billion.

Production

In 2005, Codelco's copper production reached 1,831,183 metric tons, down slightly from 2004. This drop mainly reflected a SAG mill failure in the Codelco Norte division.



Copper and molybdenum production

(metric fines tons)

	Copper		Molybdenum	
	2005	2004	2005	2004
Codelco Norte	964,930	982,817	26,826	24,271
Salvador	77,520	74,874	1,248	1,154
Andina	248,137	239,862	3,244	2,980
El Teniente	437,393	435,658	5,249	3,919
El Abra	103,203	106,824		
Total	1,831,183	1,840,035	36,567	32,324

Copper production includes 49% from El Abra, the result of Codelco's share in that firm.

In 2005, the company treated 216 million metric dry tons, with an average ore grade of 0.9%.

Molybdenum production in 2005 reached 36,567 fine tons. Codelco thus consolidated its role as the main producer of this metal in the world, boosting its market share to about 19%. High prices mostly reflected a rise in world consumption of steel.

Sales

In 2005, total income from copper and byproduct sales reached US\$10.491 billion.

Sales 2005

(US\$ million)	
Own copper	6,333
Third party copper	1,125
Molybdenum	2,255
Other by-products	778
Total	10,491

Physical sales of Codelco's own and third-party fine copper reached 2,036,000 metric tons, distributed as follows:

Income from copper sales in 2005 reached US\$7.458 billion, up from US\$873 million the previous year.

Byproducts contributed US\$3.033 billion to company income. Molybdenum alone contributed US\$2.255 billion, reflecting the combined effects of higher prices and production in 2005.

Market development

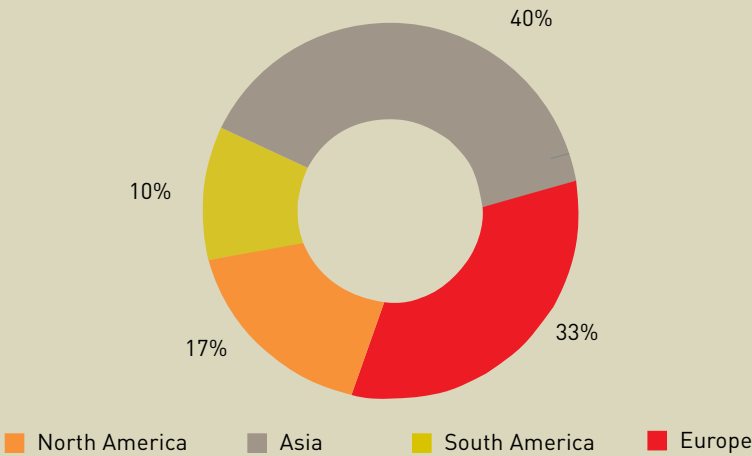
In 2005, the copper market experienced significant scarcity. Strikes, natural disasters, bottlenecks in the copper production chain and difficulties with energy supply drove copper mine production down more than expected. Low stocks on the metal exchanges increased perceptions of the risk of a shortage, driving prices upward to the point where they ultimately reduced the growth of world copper consumption.

Main customers

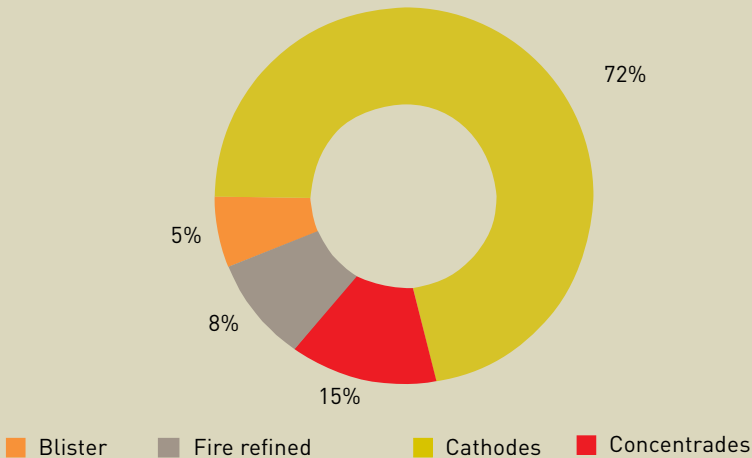
(refined copper)

- China Minmetal Nonferrous Metals (China)
- Cobre Cerrillos S.A. (Chile)
- Colata Continua Italiana SPA (Italy)
- Erbakir Elektrolitik Bakir (Turkey)
- Europa Metalli SPA (Italy)
- Halcor Metalworks S.A. (Greece)
- KM Europa Metal AG (Germany)
- LG Cable LTD. (South Korea)
- Manufacturas de Cobre S.A. (Chile)
- Mueller Industries Inc. (USA)
- Nexans (France)
- Outokumpu Copper Tubes S.A. (Spain)
- Pacific Electric Wire and Cable Co. (Taiwan)
- Poongsan Corporation (South Korea)
- Sarkuysan Elektrolitik Bakir (Turkey)
- Southwire Company Inc. (USA)
- Taihan Electric Wire Co., Ltd. (South Korea)
- Tai-l Jiang Corp. (China)
- Walsin Lihwa Corporation (Taiwan)
- Wieland Werke AG Metallwerke (Germany)

Copper sales by region



Copper sales by product

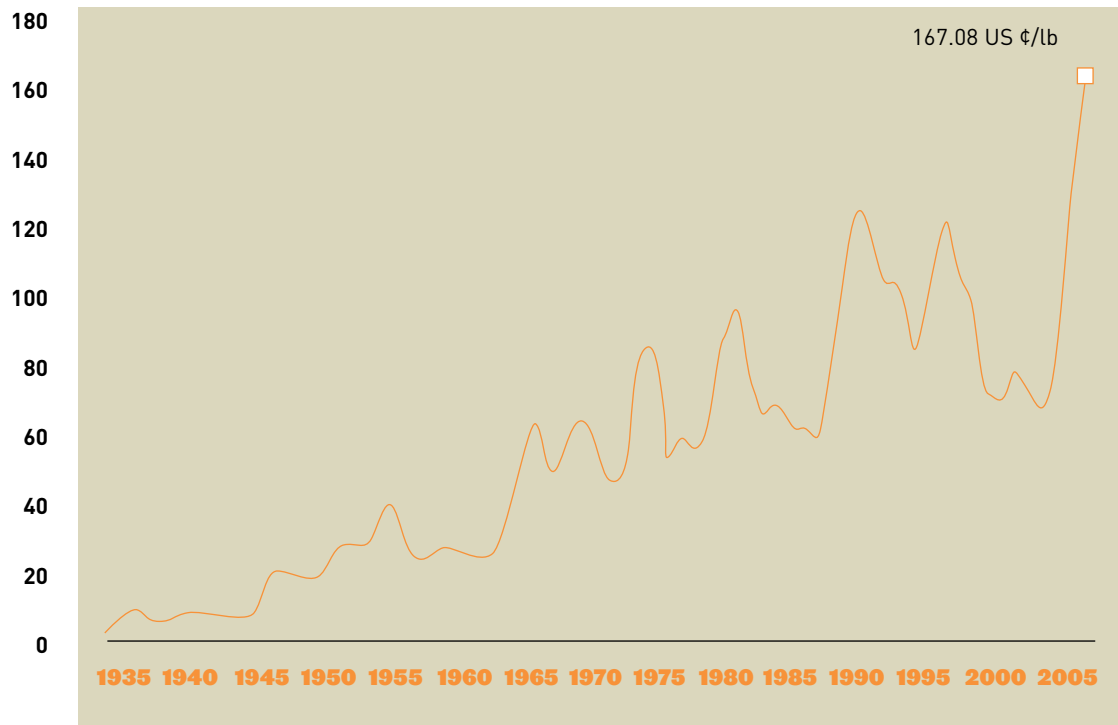


The copper price

The copper price in 2005 continued to rise, outdoing past records for nominal and London Metal Exchange (LME) reference prices, in terms of both daily quotes and monthly and annual averages.

As a result, the annual average reached 167.08 ¢/lb while daily quotes soared to over 210 ¢/lb.

Nominal copper price
(Annual LME price)



COPPER CONSUMPTION

World consumption of refined copper rose 2.8% in 2005. Given the high price throughout the year, demand slowed down significantly from 2004, when a positive macroeconomic outlook drove copper consumption up 7.7%.

In the main geographical regions, refined copper consumption was hurt by the high price in 2005.

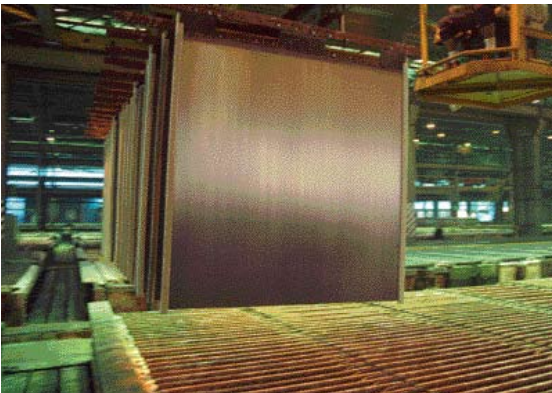
China, despite having borne unfavorable arbitrage between the LME and the Shanghai Futures Exchange (SHFE), which limited higher cathode imports, remained the strongest performing market, with growth reaching 9.5% over 2004.

CHANGING INVENTORIES ON EXCHANGES

Falling inventories on exchanges, which began in 2004, continued during the first half of 2005, reaching the lowest levels on record.

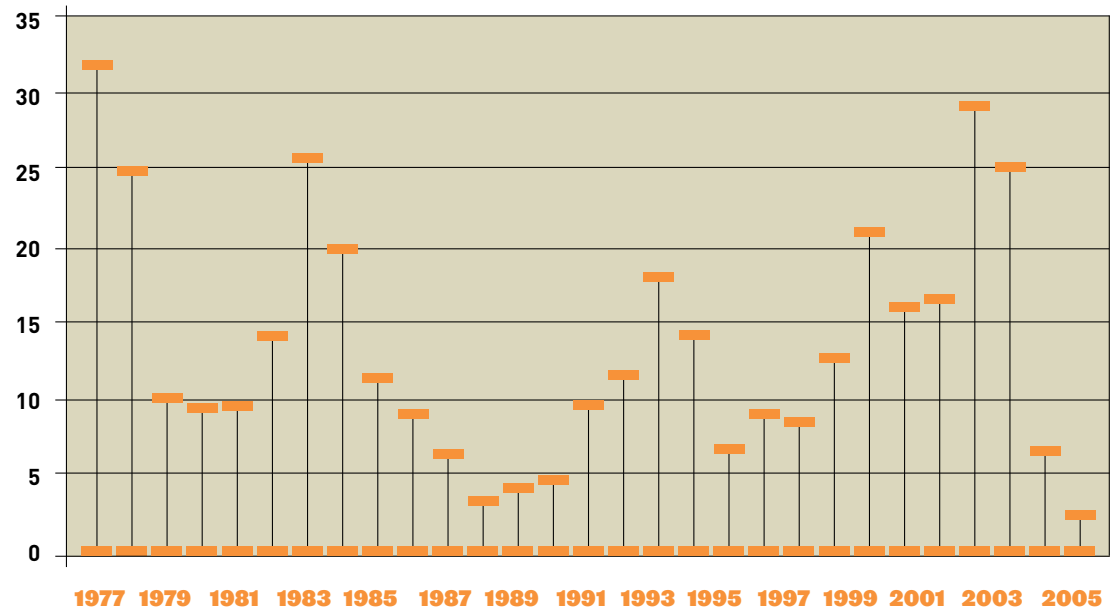
The volume of exchange inventories expressed as days of consumption remained at levels considered critical within the industry. A similar scenario developed in 1988, when record low inventories pushed the price up to what was then record peaks. In 2005, average stocks were even lower, barely enough to feed world consumption for 2.4 days.

The location of copper stored in exchanges also experienced a noticeable shift in 2005. This did not reflect physical movement of copper between exchanges in different regions, but rather conditions specific to each market.





Total copper inventories on exchanges
(days of world consumption)



In the United States, stocks were virtually exhausted when copper production fell below expectations and consumption soared, reflecting reconstruction in areas affected by hurricanes and positive macroeconomic indices. In Europe, stocks barely bounced back in the third quarter of 2005 and by year's end had once again plunged to almost nothing. Asian warehouses, specifically in South Korea and China performed more strongly, especially in the second half of the year, thanks to action by China's state-run Strategic Reserve Bureau to stop the price hikes.

Copper price hedging operations

SALVADOR

At meetings 21 (11 July 2005) and 22 (1 August 2005), Codelco's board of directors agreed to carry out copper price hedging operations for 2006-2011. These operations were for 373,950 metric tons for the period mentioned before and were completed in October 2005. The purpose was to assure the operating margin on Salvador's useful reserves.

GABY

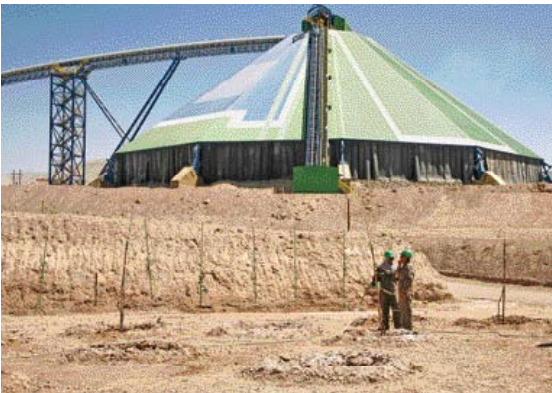
Given market conditions and the profitability appropriate to the Gaby project, in resolution N° 39/2005, Codelco's board of directors decided to carry out copper price hedging operations. These operations were for a total of 700,000 metric tons, a "hedging agreement" for the first five years of operation, that is from 2008-2012. The operations were made with the purpose of removing the price risk of the Gaby Project.

MINMETALS

As part of negotiating a long-term contract, on 16 December 2005, Codelco and Minmetals signed an agreement to regulate the procedures for both companies to take equal parts in price hedging for the total production during the first five years of the contract, on behalf of the joint venture Copper Partners Investment Company Ltd. (in formation). Signing this agreement with Minmetals was approved at a Board meeting on 20 December 2005.

For Codelco, this agreement involves hedging by Copper Partners Investment Company Ltd. (CuPIC) to cover 50% of copper production during the first five year's of the contract and establishes that Codelco and Minmetals will make every commercially reasonable effort to transfer these positions to CuPIC, once it is set up.

The total amount for coverage by Codelco was 139,375 metric tons of copper. As of 31 December 2005, Codelco had covered 27,850 metric tons (corresponding January-June 2007), with the rest to be completed in February 2006.





Risk factors

THE COPPER PRICE

Codelco's financial results are significantly affected by the copper price. To deal with these fluctuations, Codelco works hard to remain one of the industry's lowest cost producers. Operations do not incorporate the impacts from operations of a speculative nature.

FOREIGN EXCHANGE PARITIES AND INTEREST RATES

The company has defined policies for covering foreign exchange parities and interest rates. Coverage of the former involves insurance against future changes in the Unidad de Fomento (an inflation-indexed accounting unit) against the dollar, while interest rate hedging involves contracts setting rates on future obligations.

As with the copper price, these operations do not involve speculation.

Insurance

Codelco has all its assets and the interruption of business permanently insured, as follows:

Insured assets: all facilities used for its main business purposes within Chilean territory.

Type of coverage: all risk policy against loss due to material damage combined with interruption of activities, to a maximum loss of US\$700 million.

Financing

Through 31 December 2005, Codelco has had access to European, Asian and Chilean capital markets, and a base of more than 450 investors, with securities outstanding worth more than US\$ 2.6 billion, maturing between 2009 and 2035. Five major risk rating agencies (Fitch / Feller / Standard & Poor's / Moody's and DBRS) have evaluated the company and since 2002 it has also been registered with Chile's Superintendence of Securities and Insurance (Superintendencia de Valores y Seguros, SVS).

In 2005, Codelco went to financial markets twice to finance parts of its investment plan. It issued bonds on the Chilean market, worth UF6.9 billion, and abroad, worth US\$500 million.

LOCAL BOND ISSUE

Codelco issued bonds worth UF6.9 billion, maturing in 20 years. The company obtained exceptional conditions for this operation, specifically a rate of UF plus 3.29% per annum.

INTERNATIONAL MARKET BOND ISSUE

In 2005, Codelco also issued US\$500 million internationally, maturing in 30 years. Exceptional conditions involved a spread of 118 base points over the US 30-year treasury rate and an interest coupon set at 5.625% per annum.

One of the company's main achievements in recent years is that despite almost doubling its debt level, its risk rating has not declined. In fact, it has improved, thanks to excellent communications about risk and Codelco's future with the risk rating agencies.

Another important factor is that Codelco has pushed down its spread or the risk premium assigned by investors. Spreads on bond issues in recent years stood at 228 in 2002, 125 in 2003, and 95 basis points in 2004.

Moreover, in 2005, Codelco issued a bond maturing in 30 years, with the market demanding a 30 basis point increase for the longer maturity. That is, if the bond had been maturing in 10 years, Codelco would have paid 88 basis points over the US treasury rate. This compared very favorably with premiums charged to companies such as BHP and Río Tinto.



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The management model

Codelco's mission is to project the company into the future, with more growth and modernization. All this, hand in hand with its employees.

Leadership in management

Codelco's mission is to develop its full capacity for mining and related business in a responsible and flexible manner, to maximize its long-term economic value and its contribution to the national treasury.



Leadership management

Codelco, the world’s largest copper producer, has a management model that has made it a modern, efficient company. Its workers, management and owner have agreed to apply a governance plan based on a shared vision that aims to double the company’s value.

This governance plan is known as the Joint Strategic Plan and is based on an alliance developed through a broad participatory process involving Codelco workers, supervisors and management. The Plan serves as a navigation chart and business strategy for 2000-2006, and its purpose is to project Codelco into the future, with more growth and modernization.

The Plan establishes the values that rule the actions of Codelco staff and involves applying best management practices, setting targets, and defining strate-

gic objectives that will allow the company to meet its commitments.

To develop the Plan’s main areas, all parties agreed to create an organization whose instances are the Plan’s plenary council, the working committee, and five commissions. All these instances, which include representatives of the Copper Workers’ Federation (FTC), the Association of Supervisors (FESUC) and management have a priority agenda, through which they focus on analyzing and providing proposals on specific matters.

For success in the goal of doubling the company’s value and keeping profits on the rise, the Plan concentrates simultaneously on three strategic, interdependent levers: asset management, human development and sustainability.





Pedro Galdames,
Corporate publications chief.



Joint Strategic Plan

ASSET MANAGEMENT

The strategic objective behind asset management is to optimize mining resource operations, as well as those involving facilities and equipment. In this sense, Codelco has started programs to improve productive management and investment plans, to preserve and increase the company's economic value.

HUMAN DEVELOPMENT

Central to achieving the Plan's goals and objectives is ensuring that workers are highly skilled and committed to Codelco's goals.

For Codelco's workers, the Plan promises improved jobs and greater safety and security as an integral part of being employed by a competitive company.

The company's most important capital is people, who are crucial to its success, past and future.

Codelco is therefore very committed to its workers, organizing training programs, career advancement programs, quality of life improvements, and signing employability protocols.

SUSTAINABLE DEVELOPMENT

Codelco is aware of being one of the country's pillars of growth and development. Because of this it has committed itself to ensuring the internal and external stability of its business, so that many generations of Chileans will benefit from its contribution to the country.

It is committed to addressing the economic, social and environmental concerns in which the company is involved. To do so, it has adopted policies to achieve a more sustainable copper market, ensure good relations with communities near mining facilities, perfect its processes, and respect the environment.

Codelco looks after the value of its business, protects the environment and grows sustainably. Above all, it is a company that works to produce a better future for all Chileans.



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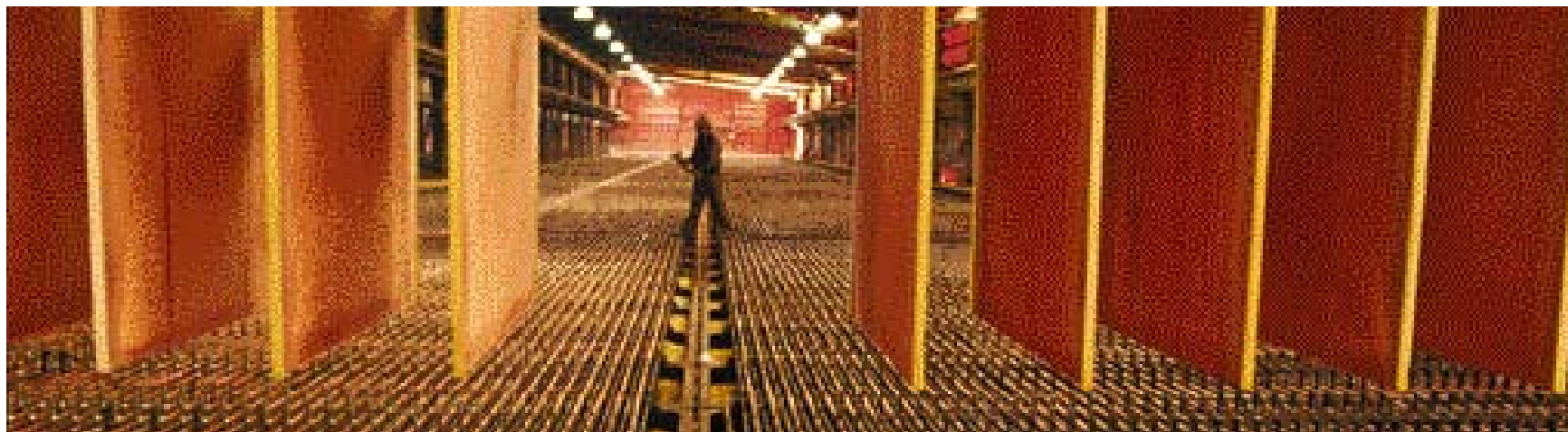
The business plan

Codelco's commitment to all its shareholders is to maximize value creation of the company mining business.

Asset management

The Business and Development Plan is the synthesis of a management model that will maximize value creation at each company division and business area.





Business and Development Plan

The company's main planning tool, which provides for the best projection of the business in the short, medium and long term is the Business and Development Plan (PND). This instrument involves an initial strategic planning phase, known as the Exploratory Plan (PEX).

The PEX is a key stage in the overall process, since it ensures efforts will focus on maximizing value creation. The PEX process started with the creation and analysis of a set of possible development scenarios incorporating different levels of risk and minimum restrictions, to capture the maximum value possible based on mining and other related resources.

Once all the possible scenarios had been developed and the full potential value of the business, it became possible to choose the scenario offering the best combination for the company, from the perspective of value creation and associated risk.

The chosen scenario became the PEX, which forms the basis for developing a detailed PND, on which operating and investment budgets are based. Operating and investment assumptions are generated using the PND.

The PND contained income flows, expenditures, investments and financing to be generated throughout the period, which according to the mining plan will be necessary to extract the resources and reserves essential to the business. It examines market, mining resources, strategic, financial, technical, contractual and other restrictions that the company faces, with commitments in terms of labor and sustainability, and the risk levels it is willing to assume.

The Business and Development Plan represents the best estimate of future flows and therefore the company's commitment to its shareholders. This requires a high degree of compliance with its promises, particularly during the early years. It is therefore the best approximation for the company's economic value.

In the last quarter of 2005, Goldman Sachs evaluated Codelco's financial value using the 2006 Business and Development Plan for reference, estimating its worth to the Chilean state as ranging from US\$ 24.5 billion and US\$ 27.5 billion.

Geological resources and mining resources

As per standard industrial practice, Codelco divides its mining inventory into two categories: resources and reserves.

Resources include those deposits of economic interest that have been identified and estimated through exploration, recognition and sampling techniques. Reserves, meanwhile, represent a fraction of the geological resource that is economically extractable according to a productive, environmental and technological scenario included in the mining plan.

In 2005, Codelco added a new criterion for classifying ore deposits, based on three basic components: data quality, geological continuity and the reliability of the estimate. This classification system provides general measures that are consistent across all divisions and a quality control tool based on geological modeling and estimation processes. In fact, the new criteria for classifying Codelco's resources must include at least a drilling to define the resource inferred. Using this new criterion a single corporate classification system can be used across all divisions and is also consistent with Australian code definitions by the *Joint Ore Reserves Committee, JORC*. This covers resources, including both probable and proven reserves.

Víctor Huerta,

Electric maintenance.



Inventory (as of August 31, 2005)

(To the cut-off grade of 0.2% CuT)

Divisions	Resources measured + indicated		Resources inferred		Resources broken/stock		Total resources identified		
	Mineral	Copper	Mineral	Copper	Mineral	Copper	Mineral	Copper	Fine Cu
	(Mill. T.M.)	(%)	(Mill. T.M.)	(%)	(Mill. T.M.)	(%)	(Mill. T.M.)	(%)	(Mill. T.M.)
Codelco Norte	4,138	0.69	12,894	0.45	1,187	0.25	18,219	0.49	90
Salvador	1,065	0.52	517	0.35	899	0.24	2,481	0.38	10
Andina (*)	2,842	0.74	11,926	0.53			14,767	0.57	84
El Teniente	6,317	0.72	11,774	0.47	1,428	0.71	19,519	0.57	111
Proyecto Gaby	564	0.4	171	0.33			735	0.39	3
Codelco	14,925	0.69	37,282	0.48	3,514	0.43	55,722	0.53	298

(*): Andina Division includes broken material from the cavity within inferred resources.

Reserves and resources PND 2006

(According to the cut-off level in the mining plan)

Divisions	Reserves proven+ probable		Other resources in mining plan		Total reserves and resources PND 2006		
	Mineral	Copper	Mineral	Copper	Mineral	Copper	Fine Cu
	(Mill. T.M.)	(%)	(Mill. T.M.)	(%)	(Mill. T.M.)	(%)	(Mill. T.M.)
Codelco Norte	2,268	0.83	4,257	0.52	6,525	0.63	41
Salvador	73	0.64	14	0.54	87	0.62	0.5
Andina	1,651	0.86	4,054	0.73	5,705	0.77	44
El Teniente	1,819	1.02	2,480	0.83	4,300	0.91	39
Proyecto Gaby	484	0.42	100	0.36	584	0.41	2
Codelco	6,295	0.86	10,905	0.67	17,201	0.74	127

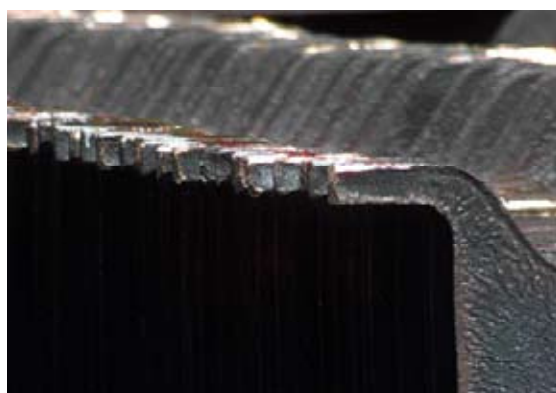
(*): Codelco Norte's stocks reflect the more fluid concept involving low-grade ore storage and its later consumption when it enters plant production.

To bring the company into line with international standards for reporting resources and reserves (JORC) broken ore and different ore stocks have been explicitly separated.

In 2005, mineral resources were up 7.5% over 2004, reflecting mainly the inclusion of new deep primary sulfide ores at the El Teniente Division. Ore reserves rose 2.3%, mainly reflecting the inclusion of Radomiro Tomic's sulfide ores in PND mining plans at the Codelco Norte Division.

The PND is based on a mining plan for the entire mine life. As a result, it naturally includes possible reserves in the mining plan, although these are scaled in gradually over time, depending on demonstrated reserves. This meets the criteria established by valuation codes such as Canada's CIMVAL (*Standard and Guidelines for Mineral Valuation of Mineral Properties*). Possible reviews stem from the inclusion in long-term inferred or demonstrated resources for which the pre-feasibility and feasibility engineering studies have not yet been completed.

Initial production estimates are based mainly on demonstrated reserves, although broken ore or stock can be included in mining plans, once the company has analyzed the origin and characteristics of this material. In fact, the 2006-2010 period does not contemplate possible reserves in division mining plans currently in operation. The Gaby project includes an estimate of 3% possible reserves within this five-year period, with implementation scheduled for 2008.



Mining exploration

2005 closed with the seventh discovery in Chilean exploration and Codelco's first abroad. In Chile, the Inca de Oro deposit in Region 3 was discovered, while in Brazil it was the Boa Esperança deposit in the state of Pará.

The 2000-2005 has brought the company its best exploration results, expressed as fine copper discovered, representing about 62% of total resources identified in the past 15 years of corporate exploration (1991-2005).

Total spending on exploration in 2005 reached US\$40 million (operations and investment), up 10% over the previous year and marking the six years from 2000-2005 as those with the highest spending on exploration in Codelco's history. These resources went mainly to drilling in orebodies already identified. Some 144,000 meters of drilling took place, 80% of it in Chile and the rest in roughly equal amounts in Mexico and Brazil.

Achievements in the form of the two discoveries mentioned above were enhanced by OHSAS 18001 certification of the Integrated Explorations Management System. Codelco and its explorations subsidiaries in Chile, Mexico and Brazil already enjoy ISO 14001 environmental certification.

CHILE

Under basic exploration the most relevant result was the discovery of a new orebody in Inca de Oro, estimated to contain 350 million tons of ore with a grade approaching 0.6% of copper equivalents (Cu, Au, Mo, Ag). This deposit, located 100 km from Copiapó and 70 km from the Salvador Division, is currently undergoing advanced exploration to identify the extent of the orebody during the first half of 2006.

Advanced exploration also consolidated during the same period for the Mocha and Puntillas-Galenosa projects, which altogether added 4 million mft of resources. In Mocha, Region I, an orebody containing some 50 million tons of potentially leachable ores has been identified, with an ore grade approaching 0.4% copper, and some 450 million tons of primary sulfides, with a grade approaching 0.45% (plus the byproducts molybdenum and gold). Puntillas and Galenosa contains about 540 million tons of potentially leachable resources, with an ore grade approaching 0.25% copper, located in very favorable conditions in terms of location, metallurgy and exposure without overload.

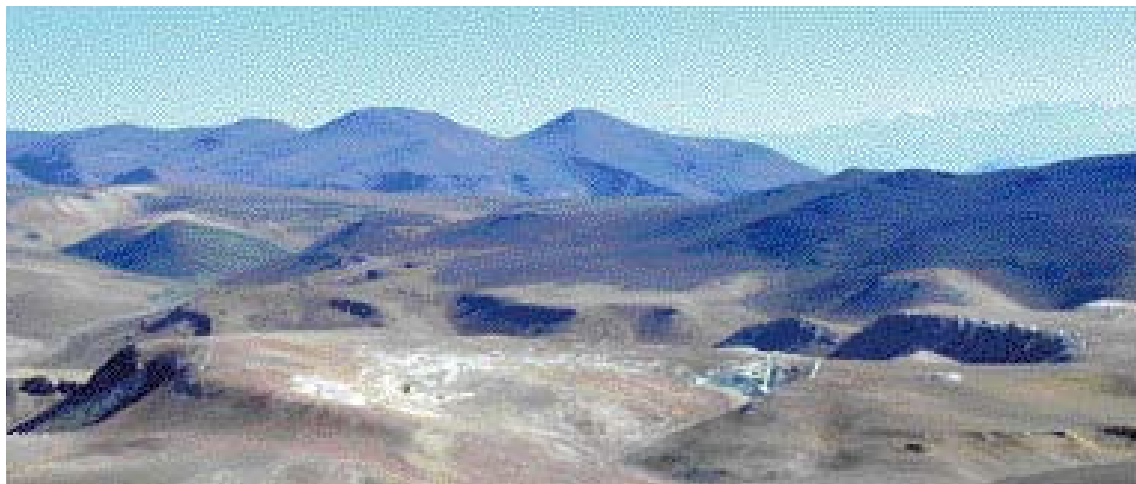
Moreover, some very promising results have marked four other projects, two porphyries and two with Cu-FeAu type affinities, which have raised high expectations of new finds in the coming year.

In 2005, exploration programs in Chile were carried out by the subsidiary Exploraciones Mineras Andinas SA, which completed its first year of operations under the strategic leadership of the corporate center, which is also in charge of subsidiaries in Brazil and Mexico.

In terms of joint ventures, the most outstanding result was implementation of the Purén project, in partnership with Minera Mantos de Oro, with phase one, mining, scheduled to start up in May 2006. Production for the first year of operations should reach 258,000 gold equivalent ounces, consisting of 12.9 million ounces of silver and 52,000 ounces of gold. Other joint ventures still in effect include Cachinal, Sierra Mariposa and Vallenar.

Exploration joint ventures

Projects in Chile	Partner	Type
Sierra Mariposa	Placer Dome (Canada)	Copper
Cachinal	Xstrata (Australia)	Copper
Vallenar	Cementos Bío-Bío (Chile)	Copper
Projects abroad		
Estado de Sonora	Peñoles (Mexico)	Copper
Gradaus	Barrick (Brazil)	Copper/gold
Vale do Curaça	Minera Caraiba S.A. (Brazil)	Copper



MEXICO

In 2005, exploration by Pecobre SA de CV, a joint venture formed by Codelco and Peñoles, confirmed the existence of an 800 million ton ore body with a 0.3% grade, and a 100 million-ton core with a 0.51% grade. Located in the La Caridad district, Barrigón or Flobar had been identified in 2004, but only follow-up exploration in 2005 revealed the shape of the orebody, which will be explored in depth to find potential mineralization conducts and, as a result, higher grade bodies.

During this period, basic generative exploration was completed outside the State of Sonora, after expanding the scope of the firm to other Mexican states in 2004. As a result, 150 new targets were identified, of

which five have been drilled and 11 are in initial follow-up exploration phases.

In the search for opportunities, confidentiality agreements were signed with two junior firms, gaining access to information on projects currently under evaluation and in the process of reaching agreements for properties located in another 20 prospective areas of interest to Pecobre.

BRAZIL

Codelco's international exploration strategy is producing its first discoveries. In the state of Pará, in the Rió Fresco district, Codelco's subsidiary, Codelco Do Brazil, completed an exploration program that confirmed discovery of the Boa Esperanza orebody. With resources estimated today at 100 million tons at 0.8% Cu - 0.03% Co (1.1% Cu equivalent), of which drilling identified a central body of 72 million tons, activities are expected to continue, adding enough new resources to constitute a mining district.

Generative exploration in many prospective areas identified using indirect techniques, and negotiations with third parties have contributed to a basic exploration portfolio, composed of 43 anomalies, targets and prospects, which are being systematically evaluated and, in several cases, negotiated with other firms and/or private individuals.





Investment

CODELCO NORTE DIVISION

In 2005, the Extensión Norte Mina Sur (ENMS) project went ahead. This will ensure the continuity of the business by processing ores from the area between Mina Sur and Chuquicamata. This project concluded in November with the opening of the ore heap treatment plant (Planta de Tratamiento de Minerales en Pilas), which will replace old leaching troughs, in operation since 1915, with a modern, efficient processing system.

The total investment for ENMS reached US\$411 million, including mine opening costs and management of drainage tunnel solutions. This project will permit production of 120,000 mft of copper cathodes.

Another relevant project underway in this division is the electrolyte refinery technology change (Cambio Tecnológico Refinería Electrolítica), which will transform and automate current electro-refining process in Refinery Nº 2 to produce permanent cathodes, bringing final capacity to 855,000 tons per year. To date, the project is at the cell conversion and implementation stage, which will end in early 2007.

At the same time, the division went on studying underground exploitation of deep sulfides. This required authorization for the underground mine conceptual engineering and outlining of deep sulfides (Ingeniería Conceptual Mina Subterránea y Delineamiento de Sulfuro Profundos Chuquicamata), which involves studying an underground operation in the Chuquicamata deposit in all its aspects, starting with the transition from the current open pit to achieve full underground production, including final closure of the pit.

During the year, the conceptual study of the integrated mine concentrator expansion (Expansión Integrada Mina Concentradora, EIMINCO) project was also completed. This should boost sulfide ore processing capacity once the Ministro Alejandro Hales (former Mansa Mina) mine starts up, with the proposal for carrying out basic engineering being presented.

One activity of great importance to the Codelco Norte Division is the Transfer to Calama project, which is underway. The purpose is to achieve environmental and economic sustainability for the Codelco Norte business plan and improve the quality of life of workers. To date, 2,262 housing units have been built. At the same time, new neighborhoods are being urbanized in Calama and families are being moved to their new homes. According to schedule, this project should be completed in December 2006.

SALVADOR

In 2005, a new project for building the fourth stage of the Pampa Austral tailings dam (Construcción de la IV Etapa del Tranque de Relaves Pampa Austral) was approved. This will ensure the continuity and sustainability of the mining-plant business at the Salvador Division. Likewise, analysis of the San Antonio project continued. This involves examining the operation and benefits of ore remnants at the Potrerillos Mine (ex-Mina Vieja).

ANDINA

In 2005, basic engineering began to expand the Division's mine capacity-benefit, known as Phase 1. This is the first step in its development plan. The goal of this expansion phase is to boost mine-plant capacity to 92,000 tons of ore per day. Conceptual engineering began for the Nueva Andina project, which is expected to triple current processing activity by around 2013.

At the same time, geological depth drilling continued in different sectors of the deposit to sustain future expansion.

As part of complying with the Division's environmental commitments, in 2005 work started on building facilities to capture and guide copper enriched waters flowing from ore dumps.

Codelco investments
(US\$ millions)

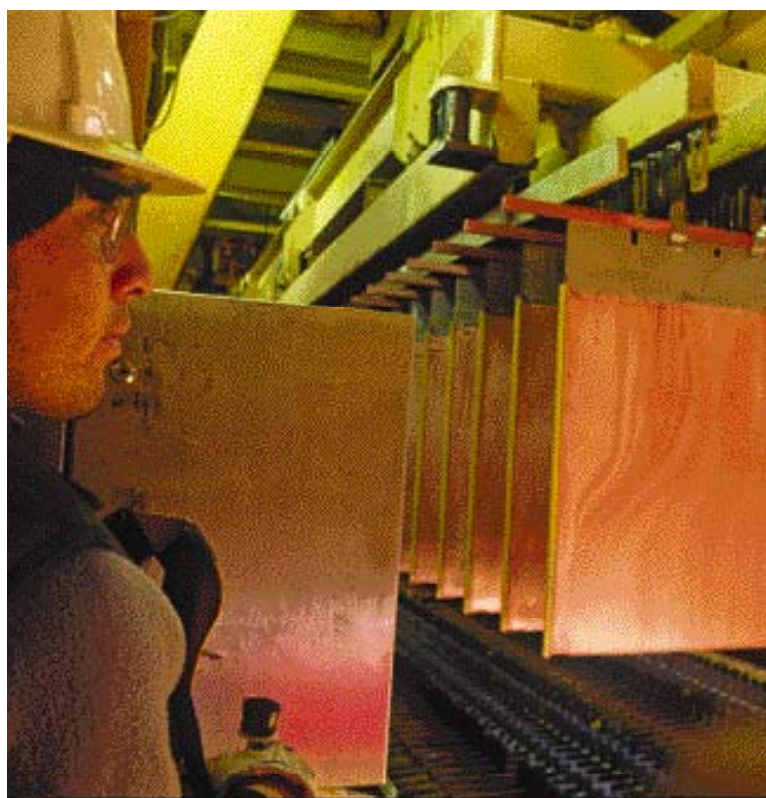
Development projects	507
Equipment replacement and facility restoration	42
Environment, occupational safety and welfare	73
Research and studies	85
Exploration	47
Deferred expenses	538
Other*	553
Total	1,845

* Includes the acquisition of Ventanas

EL TENIENTE

At this Division, investment has focused on consolidating the Teniente Development Plan, to provide the technical and economic sustenance necessary to maintain capacity at 131,000 tpd, and reinforce annual copper production at over 430,000 tons. To do so, the investment phase of most projects was completed. The Diablo Regimiento sector started up production in September 2005, and a project to increase rail transportation capacity (Aumento Capacidad de Transporte por FFCC Teniente 8) completed tests of the automatic operation system in December, as part of implementation of the project's final phase. A plan to expand SAG mill capacity from 24,000 tpd to 65,000 tpd has begun, with above-design yields. A second phase, to expand the conventional mill from 54,000 tpd to 66,000 tpd is scheduled for implementation in mid-2006.

The Caltones Smelter, meanwhile, saw startup of a project to restore operating capacity to Gas Cleaning Plant N° 1 and other minor projects, that will keep the smelter processing concentrates at a rate of 1,250,000 tons per year.



GABY PROJECT

The Gaby deposit is in Region 2, 120 km south of Calama and 203 km east of Antofagasta. Codelco is carrying out engineering and other studies to exploit and process its copper oxides. Estimated reserves stand at 580 million tons with an average ore grade of 0.41% copper. The mining plan based on the analysis to date calls for an open-pit operation running for 14 years. The ore will be processed by a heapleaching plant and solutions treated using solvent extraction (SX) to produce high-quality EW cathodes. Production capacity is estimated at 150,000 tons per year of copper cathodes.

In 2005, the basic engineering was completed and a proposal for investment presented. According to study results, implementation should be completed toward the end of 2008.

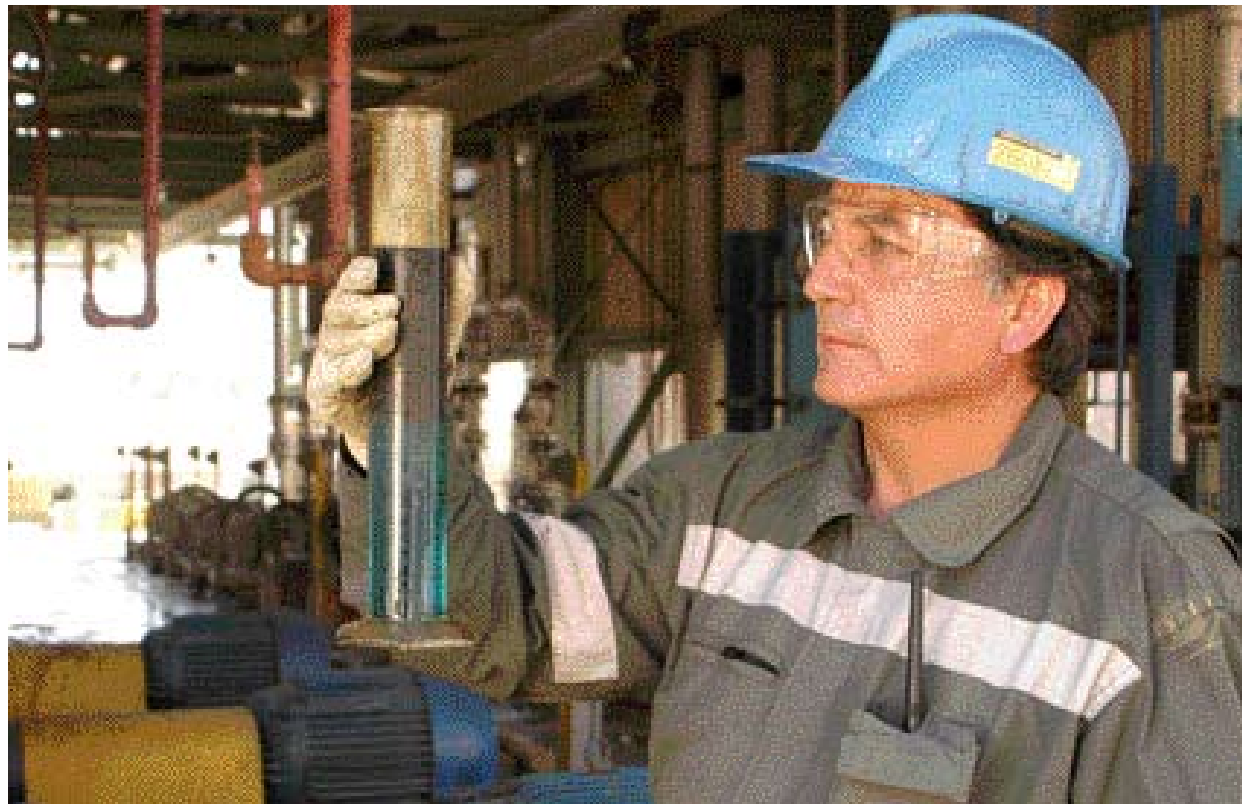
Research and technological innovation

The company invested US\$23.4 million in its studies and research and development and technological innovation portfolio in 2005, plus US\$ 7.4 million in technological companies.

These resources form part of significant amounts that Codelco has spent in recent years to realize different technological programs and projects, in response to a strategic vision that considers the research and development of new technologies as a pillar sustaining the company's competitiveness.

Innovative projects underway aim to substantially improve current mining operation processes, generating high impacts on productivity, environmental care and protection, safety, and employees. At the same time, new processes are being researched to respond to future challenges in the mining business.

Codelco has the skilled human capital and financial resources, and programs through alliances with research centers, universities and companies in different countries.



BIOSIGMA: SCIENTIFIC PROGRESS IN BIOLEACHING

Codelco Chile and Nippon Mining & Metals, Co. Ltd. created BioSigma SA in 2002, to incorporate biotechnology advances (genomic, proteomic and bioinformatics) and ensure the sustainability of benefits from low-grade resources and other secondary materials.

In the field of technological development, the company successfully dealt with the challenges involved in implementing automated, intelligent systems for characterizing ores in bioleaching processes and progressed in the study of electrochemical mechanisms, biochemical mechanisms, and the genetic expressions controlling bioleaching processes involving copper sulfides. Moreover, identification and quantification techniques using PCR technologies were completed in real time and the first DNA chips generated using microarray techniques to characterize the microorganisms present in complex samples. Sequencing and annotation of 95% of the Wenelen bacteria genome was completed and progress made on sequencing the Licanantay bacteria, with the annotation process scheduled for completion in the first quarter of 2006. Sequence analysis has identified the most significant genes involved in bioleaching copper ores, through the application of the functional genomic microarrays.



Technological validation of results was done under an agreement between BioSigma SA and Codelco. To finance development, partners increased capital by US\$16 million for the 2005-2008 period. From the point of view of BioSigma technology validation programs at a pilot level and the commercial prototype, the company successfully built and run a 2500 ton pilot bioleaching operation in the Codelco Norte Division. Moreover, the engineering and building of a similar pilot operation was completed in the Andina Division, to bioleach a prototype pile of 50,000 tons of low-grade copper ore in 2006 and part of 2007. The design of this prototype pile assumed it would operate in extreme weather conditions, given that the Andina Division is located in the high Andes.

Along with technological development, BioSigma's strategy includes generating intellectual property rights from the perspective of basic science in the field of biotechnology and molecular microbiology. In this sense, the company applied for almost a dozen patents on company developments in Chile and abroad in 2005.

ALLIANCE COPPER LTD.

In early 2005, the conceptual engineering for an industrial bioleaching plant for complex concentrates with a 100,000 to 150,000 ktpy of copper equivalent capacity was completed. The regional environmental council, Corema Region 2 also approved an environmental impact declaration (Diagnóstico de Impacto Ambiental, DIA) for this project.

In May 2005, negotiations began among ACL owners on the future of the company and its bioleaching technology. On 31 August 2005 this led to the signing of a memorandum of agreement defining the period during which BHP-Billiton will suspend its participation in ACL's administration. During this period, ACL will test alternative agitation technologies to improve the economic results included in the conceptual study.

In November 2005, ACL started to operate a prototype plant in Calama, using acid leaching on dust recovered from copper concentrate smelting. The respective profile engineering also began.

Technological programs

UNDERGROUND MINING

The purpose of this program, begun in 1998, is the industrial-scale development and validation of continuous mining technologies, which should boost the competitiveness of underground operations and their productive capacity. In 2005, the technology for preconditioning blocks was validated and its use extended to 55,000 m² in the El Teniente and Andina divisions. The low-profile Sizer MMD Crusher test was also completed successfully. Along with DBT (Deutsche Bergbau Technik), the company manufactured and tested an extractor equipment prototype for continuous mining, giving rise to three industrial patents filed in Germany and Chile, with applications presented in other countries as well.

COMPANY TECHNOLOGICAL PROGRAM FOR THICKENED TAILINGS

The El Teniente and Codelco Norte divisions began studies to evaluate the impact of applying thickened tailings technology in their operations. Studies are underway and should be completed in early 2006. The Andina Division called for international bids on studies at its operations. This technology makes water use more efficient and minimizes environmental impacts by reducing the space necessary for tailing deposits.

COMPANY TECHNOLOGICAL PLAN IN SMELTING AND REFINING

The purpose of this Technological Plan is to validate the technical and operational parameters sustaining Codelco's smelting and refining activities. In 2005, studies were completed that will support the conceptual engineering at Codelco Norte, generating information and recommendations for design criteria for complex concentrate processing and increase the smelter capacity of the Teniente converter reactors to 3,000 tons per day.

TECHNOLOGICAL PROGRAM FOR BIOLEACHING SULFIDE ORES

In 2005, a program to validate technologies for bioleaching low-grade sulfide ores began. During the year, compatibility tests and characterization of different resources were carried out and an experimental 2000-ton pile of tailing sands from the Talabre Dam was built and operated. The Andina Division did the engineering for a 50,000-ton prototype pile and building began.

COMPANY TECHNOLOGICAL PROGRAM ON IN SITU MINING

Together with the Codelco Norte Division, the Vice-Presidency for Corporate Development started to develop a company plan for leaching oxide or mixed low-grade ores, without removing the material from the mine, that is, *in situ*. Background research also began to develop a profile-level evaluation of the application of bioleaching technologies to profound primary sulfides, also *in situ*.



Joint venture projects

Codelco has developed a joint venture system through alliances with companies and research and development organizations that are world leaders. This has speed along integration of innovative mining processes, adding value to its business. In 2005, 20 collaborative projects were developed, bringing in some US\$4.5 million from external sources to finance this activity. The main projects in 2005 were:

- Operating and environmental coordinating system in the Chuquicamata division belonging to the Codelco Norte Division
- The BOTDR system for detecting displacements of solid rock at the El Teniente Division
- Applications for wireless communications in the Codelco Norte Division's Chuquicamata mine
- Applications for photonic communications for operating distance chipping hammers at the Andina Division's Río Blanco mine

Results have led to a joint venture to validate and sell NTT's ICT developments in mining.

AUTONOMOUS TRUCKS

The company is currently validating automation of transportation equipment through a test using 4 Komatsu trucks in the Codelco Norte Division. These trucks are autonomous and have the latest computer system, which allows them to move around and transport cargo without an operator. The technology uses Global Positioning System (GPS) satellite and land-based signals. The test involved a US\$3.8 million investment, incurred no accidents and demonstrated the feasibility of using this technology, with an increase in time use over current mining standards.

AUTOMATION OF CONCENTRATOR PLANTS

Codelco formalized its alliance with Honeywell, a leading firm in process control and automation systems, to include the latest automation in its concentrator plants. In 2005, the detail engineering was carried out for this purpose and a commercial relationship between the parties modeled, to boost company productivity and sustain the business in the long term.

Codelco also participated in several multi-company consortia (involving from seven to 11 firms) to develop mining technology and know-how. These include: Technological Copper Road Map; Mass Mining Technologies; Large Open Pit; Hybrid Stress Blasting Model; Detonics & Rock Breakage; Drilling Road Map.

ROBOTICS FOR MINING

In January 2005, Codelco signed an agreement with the German firm, Kuka Roboter, and its Chilean representative, HighService SA, to evaluate including robotics in Codelco operations. In the second half of 2005, a working group identified 25 applications in Codelco's five divisions. Currently, work is proceeding with High Service and Kuka to define ways of developing robotic solutions with the most economic potential.

INFORMATION AND COMMUNICATIONS TECHNOLOGIES (ICTs) APPLIED TO MINING

Based on a framework agreement between Codelco and Nippon Telegraph and Telephone Corporation (NTT) to develop and validate NTT information and communications technology in mining, the following projects were successfully executed:



FONDEF PROJECTS

Codelco participates as the industry counterpart in six FONDEF projects with Chilean universities. These projects involve:

- The experimental development and geochemical and biogeochemical fundamentals of partial extraction, in mining prospects in covered zones: applications in Chilean porphyry copper deposits (University of Chile).
- Mining exploration using autonomous air vehicles (University of Santiago).
- Uncertainty modeling in geology and ore grades and their impact on the selectivity of mining operations (University of Chile).
- Virtual supervision of underground mine operations (University of Santiago).
- Obtaining commercially valuable byproducts from pyrometallurgical slag from copper concentrate smelters used in Chile's large-scale mining (University of Concepción).
- Methodology for evaluating investment in long-term copper mining projects (University of Chile).

Mining and Metallurgy Research Institute, IM2

To deal successfully with the challenges of including technology as vital to competitiveness, Codelco created a subsidiary, the Mining and Metallurgy Research Institute, IM2, in 1998. IM2's impact on Codelco is apparent in its participation in the development of programs that incorporate technological breakthroughs in processes and involve significant changes in company mining plans. Activities include the validation of continuous mining technologies and support provided by a multidisciplinary team to the smelter and refinery technological plan in 2005.

IM2 is in charge of a 130-project portfolio serving all Codelco divisions (58% Codelco Norte, 21% Teniente, 2% Salvador, 11% Andina, 1% Enami-Ventanas, 7% Head Office) and with BioSigma and ACL, Codelco's technological subsidiaries.

As a result of research, IM2 presented eight applications for invention patents in Chile and six abroad, bringing the total to 42 applications in Chile and eight abroad, since its creation.

Management of technological know-how

The company has begun to develop a plan for managing knowledge as an asset that adds value to its business and its employees. In 2005, work progressed on setting up systems to effectively and opportunely locate internal expertise in different disciplines.

The design of an expert career was also begun, to develop company specialists. Using an international benchmark, a skills model is being designed, focusing in this first stage on specialists in the geomining-metallurgical field.

To protect its technological developments and the value contribution from innovative activity, Codelco has an intellectual property strategy and mechanisms for its implementation. Some 90 patent applications are currently underway, including those from IM2 and BioSigma. To date, Codelco holds 27 invention patents in Chile, and six abroad.

TECHNOLOGICAL INNOVATION CONFERENCE

On 12-13 September Codelco hosted an international conference on "Technological Innovation in Codelco: Experience on a Global Scale", the purpose of which was to:

- Improve perceptions of Codelco and mining in general as an activity based on sustainable exploitation of natural resources using complex processes that constantly require the incorporation of new technologies.
- Describe three technological breakthroughs that have had a major impact on Codelco's development plans, in which innovation is key to creating value, both in mining and other industries.
- Help through its example to strengthen innovative initiatives in Chile
- Show Chilean and foreign specialists the transformation of production applied in Codelco through the use of new technologies and know-how, and how this transformation lines up with international patterns followed by other firms, also seeking to add value to their production.
- Two hundred and eighty people attended, 40 of them from abroad. Participants included major executives from the world mining industry, researchers and representatives from technological research and development centers, specialized press, Chilean entrepreneurs, politicians, academics and other leaders of public opinion.



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Personal development

In Codelco, employee development means lining up their needs with the goal of adding value to the company.



Human development

Codelco has put forward policies and initiatives to reinforce the development of those working for the company, and enable them to meet current and future challenges.



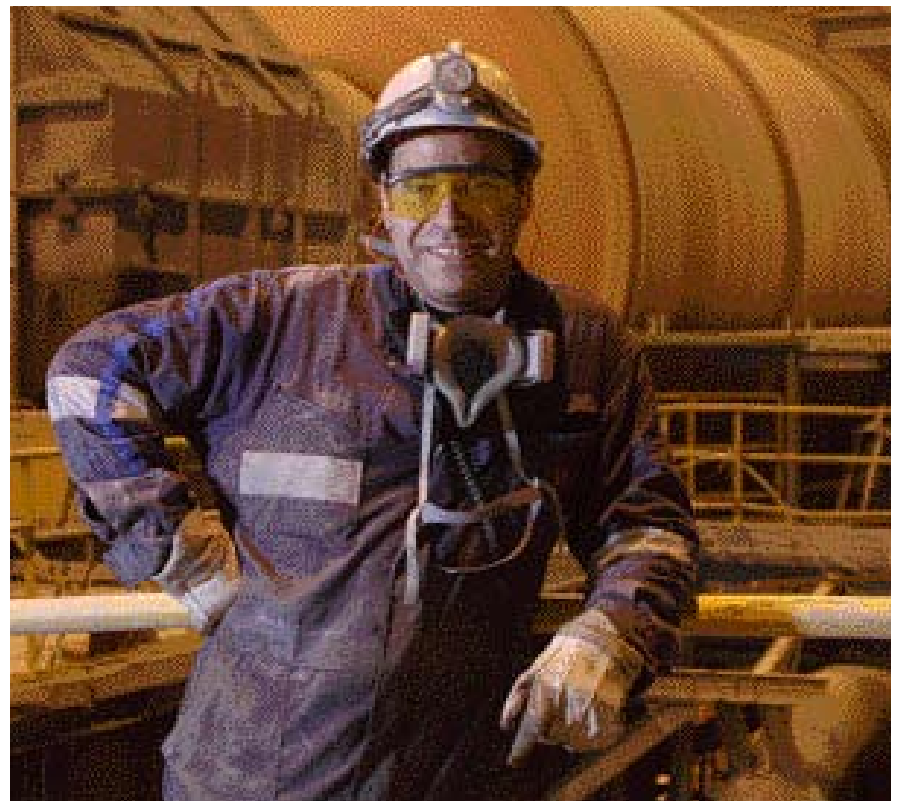
Career development

In this field, Codelco has focused on career development, through a system that brings together workers' professional needs, interests and expectations along with the company's requirements for growth and competitiveness.

Career development requires planning, monitoring, evaluation and feedback on each worker's development and performance. This has focused on closing up employees' skills and performance gaps with regard to demands in their current positions and alternatives for mobility in their future development, according to business needs.

The main achievement in this period was the building of shared company-wide platforms for career development for each of the processes involved in Codelco's business value chain. This included functional maps, skills catalogues, profiles and maps of posts.

Altogether these efforts constitute a decisive step toward implementation of an integral personnel development system throughout the company.



To date, there are 25 platforms, one for each main process and in support of Codelco's value chain, identifying a total of 1207 technical competencies and 12 general management competencies. A supervisory catalogue also exists (11 competencies) and an executive body catalogue (13 competencies).

PROGRESS IN INDIVIDUAL DEVELOPMENT PLANS (PLANES DE DESARROLLO INDIVIDUAL, PDI)

Individual Development Plans are central to the career development system, as they are a concrete way of reaching each of the company's employees. As of December 2005, more than 12,000 plans had been approved.

PROGRESS IN IDENTIFYING AND ACCREDITING COMPETENCIES

As part of the competency identification process, all workers having a PDI have gone through self-evaluation processes of critical competencies, duly validated by their respective superiors. Moreover, more formal competency accreditation processes have also been undertaken, by 3,500 employees.



PROGRESS IN PERMANENT TRAINING

One of the most important shifts in permanent training has been the move away from generally planned activities to those that focus on the needs of each employee, according to the skill gaps detected while preparing PDIs.

Significant progress has been made in preparing development guides for the skills most critical to the business and structuring training activities in response to these needs.

In 2005, a commitment to more than 5000 employees who had signed their PDI in 2004 was fulfilled, giving them access to training to close competency gaps.

This required company-wide standardization of permanent training activity catalogues, supplier registries and framework contracts facilitating the training process.

Nowadays training involves extensive use of e-learning technology, which does not require students' physical presence. For this purpose, Codelco purchased one of the world's best platforms, and several e-learning courses have been incorporated, among them Ofimática, contract management, OSHAS and others.

Another significant achievement in this period has been the consolidation of the Coya training center (*Centro de Formación de Coya*) which has helped to line up executives, supervisors and employees around the strategic challenges inherent in Codelco's business, and to provide the tools necessary to develop the required competencies.

More than 1400 workers and professionals have gone through Coya's different programs since 1996: the executive development program (*Programa de Desarrollo Ejecutivo, PDE*), the professional business administration development program (*Programa de Desarrollo Profesional en Administración de Negocios, PNG*) and workers' development program (*Programa de Desarrollo de Trabajadores, PDL*).

PERFORMANCE MANAGEMENT

This is a pillar in career development, since it turns the management of the main challenges and commitments facing each worker into an annual cycle that reflects both contributions to our business and competency development.

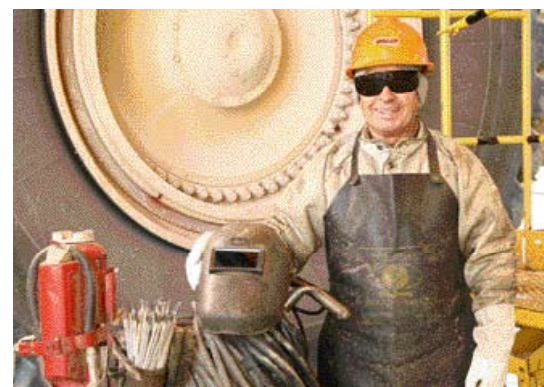
Implementation has involved the conventional stages: process preparation, socialization, training in the methodology, commitment building and guided planning, along with the creation of an electronic information system to make support available from the moment implementation began.

In 2005 more than 2000 employees became part of the company's performance management program. Expanding this coverage was established as a priority target for 2006.

SENIOR MANAGEMENT DEVELOPMENT

In 2005, senior management development project (*Proyecto de Desarrollo del Cuerpo Ejecutivo, PDCE*) officially drew to a close. Its purpose was to create a platform for managing the life cycle of the company's senior management and for extensive intervention to develop their leadership skills and close gaps detected in 2002.

Some 90 executives participated in maintenance programs in 2005. Moreover, a program focusing on the development of mentoring skills was also started in 2005 with an initial group of 27 executives.





Juan Carlos Monzón,

Telephone operator.



SUPERVISOR DEVELOPMENT

The project has made progress in reviewing work practices and developing distinctive skills for supervisors. At the same time, the support they require from the company to promote the necessary cultural and organizational changes was also defined. Supervision's distinctive functions were defined in terms of managing ten processes, which were established in a participatory fashion, and 11 specific competencies. The need to advance in several complementary areas was also identified, particularly competency development and organizational development.

Staff management: employability with competitiveness

One of the relevant impacts from investment projects underway within Codelco is their effect on staff through technological changes, operations closures, asset sales and organizational change.

This has made it necessary to reinforce staff management, as a tool for ensuring these impacts are processed through timely and innovative staff solutions, which reflect Codelco's reality and culture.

Achievements in staff management can be measured through staff-related solutions. In 2005, 206 employees were relocated, 284 reconverted and 563 left the company, for a total of 1,053 staff solutions during the fiscal year.

The successful implementation of projects involving the assisted withdrawal of employees from Codelco Norte, Teniente and Andina Divisions marked 2005, as did the re-location or re-conversion of those suffering from chronic illness or occupational disabilities to posts suitable to their health limitations, available elsewhere in the company or reflecting internalization of functions. All these projects demonstrate a substantial contribution to value creation.

Management of organizational change

One significant achievement involved designing a method for dealing with major changes triggered by new projects, through strategies and activities that support the organizational transition and facilitate personal transitions from current to future conditions.

Change management focused on individuals, actively facilitating personal transitions through psychological processes to enable people to reach the desired state. These personal transitions must be consistent with and support the organizational transition plan, that is, the changes planned for the structure, processes, systems and technologies involved in the overall process of change.



Labor relations

Codelco views its labor relations as a subsystem of the human development function. In this sense, several areas have been developed to establish modern labor relationships based on cooperation and commitment between the company and its union organizations, encouraging processes of change that harmonize employees' quality of life with business results, contributing to maximize the company's long-term economic value.

STRATEGIC ALLIANCE

To achieve its goals, Codelco has developed a management model unheard of in Chile, initially expressed as a strategic alliance between management and workers. It was created in 1995 and has since become part of the company's Joint Strategic Plan.

COLLECTIVE BARGAINING

Although regulated by Chile's labor code, other legislation, contracts reflecting legal procedures and each collective bargaining process (and therefore not arising directly from the Joint Strategic Plan), these agreements significantly influence the organizational climate and the daily procedures that shape the relationship between management, unions and their representatives.

Ninety two percent of Codelco's own staff belong to unions. In 2005, collective bargaining was completed ahead of schedule at Radomiro Tomic, Andina and the head office, without conflicts.

HOURS OF WORK AND REST

In 2005, Codelco changed its hours of work and rest, in accordance with Law 19, 759. Starting on 1 January 2005, it reduced the work week to 45 hours and reached agreement with unions and employees on some exceptions, as regulated by the same law.

Working hours system

Division	Previous hours of work and rest	Current hours of work and rest
Codelco Norte	System 7x1 8 hr.	System 7x2 7x1 7x4 8 hr. (compact shift)
Salvador	System 6x1 8 hr.	System 6x1 6x2 6x3 8 hr. (compact shift)
Andina	System 9x3 8 hr. (biweekly)	System 9x3 8 hr. (exceptional)
El Teniente	System 7x1 8 hr.	System 6x1 6x2 6x3 8:34 hr. (compact shift)

Quality of labor life and families' integral welfare

As part of Codelco's quality of life policies, relevant lines of action in 2005 included the following:

QUALITY OF LIFE MANAGEMENT ON THE JOB

Codelco uses a management system to allow management areas and natural working groups to establish their own commitments for improving the quality of labor life and monitors progress using quality of life indicators. In 2005, the quality of life indicator was included in 65% of the company's management agendas registered in January 2005, well above its commitment of 46%. This represented a significant step forward in response to this value and commitment to its employees.





Alejandra Ossa,

Engineer of studies and marketing.



HEAVY WORK AND ERGONOMICS OF WORK

About 77% of Codelco's employees carry out work classified as heavy duty. This group is covered by Law 19,404, which includes a 1% or 2% surcharge on company and employees' taxable income, to allow for early retirement.

VIRTUAL COMMUNITY - THE MINING VILLAGE

This project, which in 2003 involved the purchase of computers and broadband Internet access for employee households, has been considered an example throughout the country. This is clear from a guide to internet inclusion developed by Acción RSE and the committee for democratizing information technologies (Comité para la Democratización de la Informática, CDI).

By late 2005, the company had provided some 10,500 connections, with monthly traffic averaging more than 100,000 websites visited, an average of 6,500 visitors, and more than 12,000 users registered at www.aldeaminera.cl

Average sessions per visitor per month stood at four, usually to access education, culture, recreation, social participation and other related services.

POLICY ON PHYSICAL ACTIVITY, SPORTS AND RE-CREATION

In 2005, Codelco approved a policy on physical activity, sports and recreation to contribute to standard achievements in health compatible with its business requirements. This focuses on promoting healthy lifestyles and ensuring sports activities involve the largest number of employees possible, with criteria involving equity and corporate sustainability.

In 2005, gym programs were offered during break time to prevent bone and muscular problems and increase employees' level of attention.

ALCOHOL, DRUGS AND TOBACCO POLICY

In 2005, Codelco continued implementation of its company policy on alcohol, drugs and tobacco at every division, creating structures, procedures and rules.

This policy is essential to the strategic plan, since it has generated consensus on problems that hurt overall quality of life, people's safety, their environment, and the company's productive mission.

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Greater development

Codelco's commitment to sustainable development and social responsibility is an integral part of its corporate identity.



Sustainable development

Environmental investment focuses on projects associated with smelter decontamination plans and suitable solid, liquid waste and tailings disposal.





CODE OF CONDUCT AND COMMITMENTS

In 2003, the company approved its Sustainable Development Policy based on values and principles agreed within the Joint Strategic Plan. This policy forms part of the guiding principles behind its business and its purpose is to achieve suitable profits on capital invested, respect for its employees, environmental protection, market access, and community acceptance and respect.

In December 2005, the company approved its sustainable management guidelines (*Directriz de Gestión de Sustentabilidad*) for explorations plans as well as business and development plan. The importance of these internal regulations is that they establish the basic criteria for the preparation of these plans, in terms of the environment, safety, occupational health, community and territorial management.

Another achievement during this period was the approval, in December 2005, of a Code of Conduct, which establishes basic guidelines for all company employees on the issues of respect for people, corruption, conflict of interest and confidentiality.

Internationally, in January 2005 Codelco joined the Partnering Against Corruption Initiative (PACI) within the Global Economic Forum.

ENVIRONMENTAL MANAGEMENT SYSTEM

During 2005, the Codelco Norte, Salvador, Andina, El Teniente and Ventanas Divisions, Explorations Management Area and the Head Office were recommended for maintaining their respective ISO 14001 environmental management certification in effect.

Codelco completed ISO 14001 certification in 2003. At that time, this was the most important international certification process carried out in Chile.

ENVIRONMENTAL INVESTMENT AND OCCUPATIONAL SAFETY

Compliance with Chilean law and Codelco's own regulations has required significant investment in environmental protection and occupational safety measures.

In 2005, total investment in environmental and occupational safety projects reached US\$73 million: US\$30.9 million in environmental projects and US\$42.2 million in occupational safety.

The main investments made in 2005 were projects to improve solid waste and tailings disposal, and the treatment of liquid waste.

Codelco's main environmental investments during this fiscal year included: the Montecristo dump for solid wastes containing arsenic, belonging to the Codelco Norte Division; the Pampa Austral tailings dam, in the Salvador Division; the Ovejería tailings dam, in the Andina Division, and projects to treat liquid wastes from dumps; and the Carén tailings dam in the El Teniente Division, combined with the treatment of water used inside the mine.

In the past decade, an important portion of Codelco's environmental investment was allocated to smelter decontamination projects.

In this sense, the company scored a major achievement in August 2005, when Codelco Norte Division's camp at Chuquicamata went from being classified as an area saturated with sulfurous anhydride to being a latent zone. This classification brought official recognition of compliance with primary (annual and daily) quality standards for this pollutant in the area. This success reflected major investment and operating efforts begun in 1992, to minimize sulfurous anhydride emissions from the Chuquicamata smelter.

Katherine Almeida,

Operations engineer in the heap leaching and gravel management operations.



CODELCO GOOD NEIGHBOR

The strategic program, Codelco Good Neighbor, which forms part of the Joint Strategic Plan and the Sustainable Development Policy, is directed at communities living around the company's operations and aims to generate joint projects for sustainable economic development, the environment and social progress.

In 2005, the Good Neighbor projects focused on the community and the environment. They included specific areas of work defined in response to surveys of community and local officials' perceptions.

The main projects included in the program in 2005 were:

PREUNIVERSITY PROGRAM IN SALVADOR

The Salvador Division focused on the educational sector this year. One hundred three students in the towns of Diego de Almagro and Chañaral participated in a program to prepare them for the university entrance examination (Prueba de Selección Universitaria, PSU). Their scores rose 15% in the case of language and 35% in mathematics.



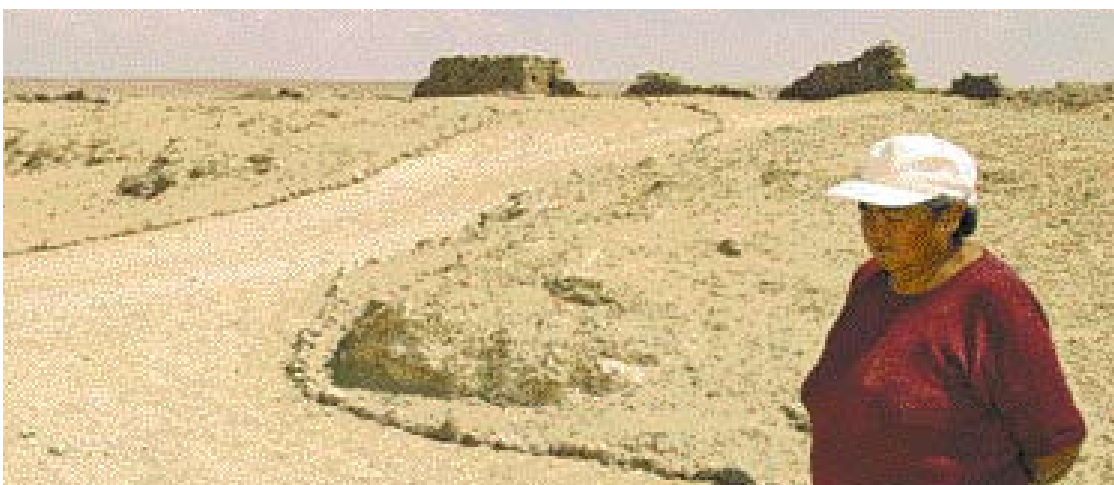
CONSERVATION OF THE SEWELL CAMP

For almost a century, Sewell was El Teniente's main camp for miners. Today, both the industrial and the civic, residential and service buildings remain, the architectural beauty and historic meaning intact.

Through this project, Codelco seeks to ensure it Sewell's conservation, as well as making it more widely known, contributing to its sustainable development by making it a regional focus for tourism. In January 2005, the Chilean government applied to UNESCO to have Sewell declared a world heritage site.

ELECTROLYTE COPPER SHEETS

This project, belonging to the head office, consists of workshops for inmates at the Colina 1 prison, to develop and strengthen their skills and competencies. The workshops encourage associations among inmates and offering training that can help them when they return to society.



SOCIAL INVESTMENT FUND

A social investment fund (Fondo de Inversión Social, FIS), created in 2004, offers concrete company support for the development of projects beneficial to communities living around Codelco's operations. The social projects of divisions, head office and explorations can compete for resources from this fund, with all projects requiring at least 20% of funding from the division.

The process started up officially in January 2005 with US\$300,000. As per the announcement and rules, projects had to focus on education, training, employability and culture, with a maximum amount per project of 30 million pesos.

Twenty projects were presented in 2005, with ten being selected for their technical quality:

- Valuation of Calama's archaeological heritage, by the Codelco Norte Division.
- Environmental improvements to the small town of Chañaral, which involved creating an environmental and tourist-oriented village on Chañaral's Playa Grande, by the Salvador Division.
- Support for olive production and marketing in Til - Til, Andina Division.
- Implementation of a mining environmental education plan, El Teniente Division.
- Experimental farm in Jaiña and implementation of a processing plant for small-scale fruit product in Miñe-Miñe (both Region 1 communities); and productive entrepreneurship in Inca de Oro (Region 3), three projects under the Explorations Management area.
- Copper as a tool for rehabilitation and social reintegration, Head Office.

Given the success of the internal competition, in November a new FIS process was opened for 2006. Twenty three projects applied, with selection planned for January 2006.

COMMUNITY RELATIONS AND STAKEHOLDERS

In 2005, Codelco implemented two systems establishing standards for its community relations, both approved in November 2004. Thus, review of the environmental risk standard, covering people, state-owned goods and neighboring communities began in January 2005, and became part of evaluating the impacts of every project.

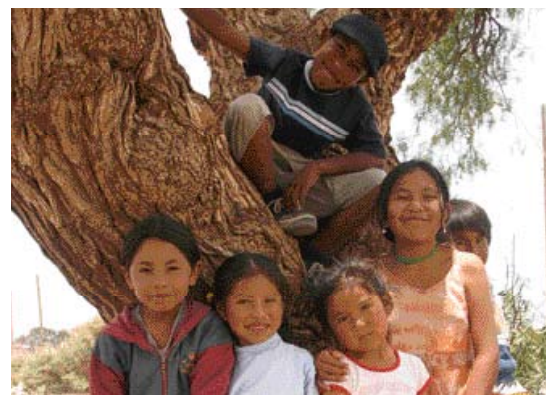
A manual for community relations was developed, for projects, operations and exploration, offering ways of identifying social impacts and establishing control measures.

In line with its Sustainable Development Policy, Codelco created mechanisms for communications, interaction and information to relevant internal and external stakeholders. During this fiscal year: a survey to achieve feedback on the 2004 Sustainability Report was designed to operate on the Codelco website and in a printed form distributed with the Report; an internal study of the organizational climate affecting Codelco's own workers; and a study of the perception of Sustainable Codelco (Codelco Sustentable), based on surveys and interviews with the community and local authorities.

Based on the perception study of Sustainable Codelco, analysts concluded that the main priorities among communities and regional authorities were: job creation for people of the region, the creation of green areas and reforestation, support for health-related activities, pollution reduction, training and education.

ISO SOCIAL RESPONSIBILITY STANDARD

Since 2004, Codelco has actively participated in the creation of an international standard for business social responsibility within the International Standard Organization, ISO, referred to as ISO 26000 Social Responsibility. This standard will provide the guidelines for the development of social responsibility in community, environmental and labor spheres and offer best practices to the organizations using it. It should be in effect by 2008.





Codelco participates in preparing this standard through the National Mirror Committee (*Comité Espejo Nacional*), coordinated by the Chilean institute for standards, (Instituto Nacional de Normalización, INN), and directly at the international level.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

In 2005, Codelco met its goal of certifying its occupational health and safety management systems based on the OHSAS-18001 technical specification.

In November 2005, the El Teniente, Andina, Codelco Norte divisions and the head office were recommended for OSHAS-18001 certification. In December, the Explorations Management Area obtained the same recommendation, while the Salvador Division retained its 2004 certification. The Ventanas Division, which joined Codelco in May, will start the OHSAS-18001 certification process in 2006.

Codelco moved occupational health and safety certification up to 2006 from 2005. With this certification, it has established an occupational health and safety management system that identifies potential hazards and controls the risks to which employees, visitors, students and other present on its work sites are exposed.

The company chose this specification among others, because its structure is similar to the ISO 14001. This will permit integration with existing management systems, avoiding duplication of the main components and facilitating implementation.

ACCIDENT RATES

In 2005, the accident rate for Codelco's direct employees stood at 4.19, up 25% from 3.35 in 2004. The seriousness of accidents affecting its own staff fell 10.8%, from 569 in 2004 to 504 in 2005.

The frequency rate for accidents among third party staff fell 17.7%, from 4.7 in 2004 to 3.87 in 2005. The seriousness also fell, 5.5%, dropping from 385 in 2004 to 364 in 2005.

OCCUPATIONAL HEALTH

The occupational health of people working for Codelco is a major concern for the company. The main objectives include constantly improving working conditions and developing efficient management of social security against the risk of accidents on the job and job-related disabilities.

The main activities in 2005 in this field included:

- A company-wide group was created to define the technical specifications and minimum standards for personal protection equipment within the company and its contractors.
- A company-wide system for reporting on professional risk was set up.
- There was a meeting of 35 parity committees for occupational health and safety, ECOPAR-2005.
- The company issued guidelines on occupational examinations and medical leave.
- Performance indicators were added company-wide, including results arising from matters related to occupational health and illnesses.
- Development of a software platform to map occupational risks began.



Jorge Bravo,

Senior environmental engineer.



Promoting and defending copper

For Codelco, activities to develop markets, particularly those stimulating demand for copper through promotion and defense initiatives are among the most profitable in terms of creating value.

INTERNATIONAL COPPER ASSOCIATION, ICA

Codelco belongs to the International Copper Association, ICA, which represents companies responsible for 80% of world copper production. Its mission is to promote and communicate the unique attributes making copper a sustainable material and an essential element for life, scientific progress and technology, environmental protection and improvements to people's quality of life.

In 2005, the ICA made significant progress in its activities and its strategic plan. This involved a diverse portfolio of programs on five continents, which combine efforts in mature and emerging markets, blending efforts in key sectors such as construction, cables, energy efficiency and the environment. This has enabled ICA to respond effectively and opportunely to threats and opportunities as they arise.

Similarly, the introduction and implementation of new strategic guidelines to improve management of promotion and defense campaigns figure among key achievements in 2005, particularly through the use of the concept of "agent of change" within the ICA network, as a global vision for encouraging programs to promote structural market changes favoring copper.

At the same time, turnover in the main positions, such as the presidency and all committees within the ICA network also consolidated. Important initiatives within the association included Codelco's active participation in the Advisory Committee, the Program Review Committee, the Technology Committee and the Environment Committee.

In 2005, ICA invested more than US\$46 million in campaigns and created innovative co-financing programs for next year. This has made a record budget of US\$66.1 million available for 2006, as approved by the ICA Board of Directors. Of this, US\$21.1 million has been co-financed by major actors within the copper value chain.



Important actors outside the industry include the World Bank's Common Fund for Commodities (CFC), the Global Environmental Facility administered by the United Nations Development Programme (UNDP-GEF), and other American and European Union agencies. They have gotten involved with ICA thanks to proposals that promote copper through concrete business cases, combining its unique attributes with the real needs of modern society.

NEW TECHNOLOGIES


Codelco considers the development of new technologies and uses for copper essential to compete against substitutes and develop new markets. In 2005, it invested US\$250,000 in Semi Solid Metal Forming (SSMF) technology. It also purchased and installed the equipment necessary to start production using this new technology and, at the same time, signed the first commercial contract, thus meeting its goal of turning a technological prospect associated with copper use into a market reality.

INTERNATIONAL MOLYBDENUM ASSOCIATION (IMOA)

In 2005, our portfolio of molybdenum products contributed the record sum of US\$2.255 billion to the company, thereby making a fundamental contribution to Codelco's value creation.

This was a clear expression of molybdenum's essential role in company sustainability. Codelco has belonged to the International Molybdenum Association (IMOA) since 1989, playing an active role in market development, environment and occupational health and safety committees.

Its main initiative within IMOA in 2005 was the Occupational Health and Safety Committee. There Codelco worked mainly to develop solid scientific information that will allow the industry to participate in different regulatory processes occurring world wide. In this sense, IMOA seeks to develop data according to recognized standards and distribute this information to member companies and regulatory bodies in general, to encourage the development of norms supported by solid scientific information and thereby ensure that molybdenum remains a sustainable material with a future.



Subsidiaries and Joint Ventures

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Subsidiaries and Joint Ventures

Sociedad Contractual Minera El Abra

Agua de la Falda S.A.

Compañía Contractual Minera de los Andes, CCMLA

Electroandina S.A.

Elaboradora de Cobre Chilena Limitada

Minera Pecobre S.A. de C.V.

CMS Chile S.A.

Asociación Garantizadora de Pensiones

Complejo Portuario Mejillones S.A.

Geotérmica del Norte S.A.

Inversiones Mejillones S.A.

Inversiones Tocopilla Ltda.

Compañía Minera Picacho SCM

Isapre Chuquicamata Ltda.

Isapre Río Blanco Ltda.

Isapre San Lorenzo Ltda.

Codelco Group USA Inc.

Chile Copper Limited

Codelco Küpferhandel GmbH

Instituto de Innovación en Minería y Metalurgia S.A.

BioSigma S.A.

Santiago de Río Grande S.A.C.

Codelco International Limited

Ejecutora Proyecto Hospital del Cobre – Calama S.A.

Sociedad Contractual Minera Purén

Fundición Talleres S.A.

Clínica Río Blanco S.A.

Exploraciones Mineras Andinas S.A.

CMS Tecnología S.A.

SOCIEDAD CONTRACTUAL MINERA EL ABRA

Legal status

The company was created through a certified document on 28 June 1994, duly witnessed by the Santiago notary, Víctor Manuel Correa Valenzuela.

The company's legal name is "Sociedad Contractual Minera el Abra".

The Sociedad Contractual Minera el Abra is a contractual mining company established under the regulations included in articles 201 and thereafter in the Republic of Chile's Mining Code.

Capital subscribed and paid in

The Capital subscribed and paid in amounts to US\$647,059,000 divided into 100,000 shares. The shareholders are "Cyprus El Abra Corporation", with 51,000 shares, and the "Corporación Nacional del Cobre de Chile", with 49,000 shares.

Purpose

The purpose of this company is to prospect for, explore and exploit the ore deposit known as El Abra, located in the Second Region of Antofagasta, in its full extension, along with others adjoining or nearby; extracting, and processing the ore obtained from exploiting the properties that make up this ore body and surrounding areas; and transporting and selling products and byproducts from processing ores and other activities involved in exploiting the deposit. To meet with this objective, the company can build and operate production and processing plants and facilities, stake mining claims or purchase it, and carry out all kinds of operations related to same. The company can carry out any actions and celebrate any contracts and agreements that directly or indirectly contribute to meeting this objective.

Board of Directors

Directors: Harry M. Conger, President of the Board of Directors

Members: Timothy Snider, Cyprus El Abra Corporation
Jorge Riquelme, Cyprus El Abra Corporation
Juan Eduardo Herrera, Codelco (*)
Juan Enrique Morales, Codelco (*)

Executives: Miguel Munizaga Badilla, President and General Manager
Mike P. Ciricilo, General Manager of Operations
Douglas Comer, Manager of Administration
Mariano Neira Sáenz, Comptroller

(*) Codelco executive or board member

AGUA DE LA FALDA S.A.

Legal status

Agua de la Falda SA. (the company) was set up using a certified document dated 25 July 1996, as a private limited company, whose shareholders are the Corporación Nacional del Cobre de Chile (Codelco) with 43% and Minera Homestake Chile SA with 57%.

Company name: Agua de la Falda SA
RUT: 96.801.450-1
Address: Barrio Industrial, sitio 58, Alto Peñuelas, Coquimbo

Capital subscribed and paid in

Capital subscribed and paid in by Codelco: US\$16,942,000

Purpose

The purpose of the company is to prospect, explore for and exploit mining properties containing gold, other precious and other metals, and their sale, in any form.

Board of Directors

Members: Nicolás Saric Rendic (*)
Edmundo Tulcanaza Navarro (*)
Sergio Chávez Jofré, President of the Board of Directors
John McDonough
Kevin Atkinsons T.

General Manager

Felipe Núñez Cordero

Codelco's share of capital and changes during the fiscal year

A 9 August 2005 shareholders' approved a US\$4.6 million capital increase. All these shares were subscribed by Minera Homestake Chile SA, reducing Codelco's participation from 49% to 43%.

Commercial relations with Codelco

There were no sales or purchases of goods and services between this company and Codelco outside of contracts.

Contracts with Codelco

The company has a contract with Codelco for the following services:

- Fresh water supply.
- Industrial water supply.
- Electric power supply.
- Rental agreement.
- Telecommunications service agreement.
- Provision of laboratory analysis services.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$4,227 thousands.

2004 Investment in jointly held firm US\$3,621 thousands.

Total investment as a percentage of head office assets 0.040%, 2005.

COMPAÑÍA CONTRACTUAL MINERA LOS ANDES, CCMLA**ELECTROANDINA S.A.****Legal status**

Company name: Compañía Contractual Minera Los Andes (CCMLA)
 RUT: 78.860.780-6
 Created on 16 May 1996
 Repertory N°273
 Notary M. Gloria Acharán Toledo

Capital subscribed and paid in

Capital subscribed and paid in by Codelco was 15,215,354 shares (99.97%), with Minera Picacho holding 5,100 shares (0.03%), for a total of \$8,583,351 thousands.

Purpose

Geological or other explorations whose purpose is to discover and reconnoiter ore deposits in the country or abroad. Exploration activities temporarily suspended.

Board of Directors

Waldo Fortín Cabezas, Presidente (*)
 Mario Espinoza Durán (*)
 Juan Enrique Morales Jaramillo (*)
 Carlos Huete Lira (*)
 Nicolás Saric Rendic (*)

General Manager

Nicolás Saric Rendic (*)

Codelco's share of capital and changes during the fiscal year

Codelco's share is 99.97%. There were no changes in equity in 2005.

Commercial relations with Codelco

There were no commercial relations.

Contracts with Codelco

There were no contracts substantially influencing Codelco's operations.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$0.
 2004 Investment in subsidiary US\$0.

Total investment as a percentage of head office assets 0%, 2005.

Legal status

ELECTROANDINA SA
 RUT: 96.731.500-1
 Public limited company

Capital subscribed and paid in

Capital subscribed and paid in by Codelco US\$118,375,332.

Purpose

To generate and transmit electric power and provide port services involving industrial maintenance of transmission systems, and consulting and industrial training services. The company is the main electrical power generator in the SING, responsible for almost 30% of its power generation. It started up in 1915 along with the Chuquicamata mine. In 1995, Codelco created the Electroandina company (ex-Central Termoelectrica Tocopilla SA) based on its Tocopilla Division and it sold a controlling interest to the Belgian electric firm, Tractebel, at international auction in 1996.

Board of Directors

Jan Flachet
 Gabriel Marcuz
 Willem Van Twembeke
 Henk Bataille
 Henri Meyers
 Manlio Alessi Remedi
 Jacqueline Saintard Vera
 Jorge Navarrete Martínez (*)
 Marcelo Mobarec Asfura
 Reinaldo Sapag Chain
 Ricardo Campano Gándara (*)

General Manager

Lode Verdeyen

Codelco's share of capital and changes during the fiscal year

34.8%. Unchanged.

Commercial relations with Codelco

The following commercial ties exist between Electroandina SA and Codelco:

- Contract for electric power supply, Codelco Norte Division
- Contract for electric power supply, Sociedad Contractual Minera el Abra
- Contract for electric power supply, Alliance Copper Limited (ACL)
- Contract for natural gas supply between DISTRINOR SA (an Electroandina SA subsidiary) and Codelco Norte Division.
- "Service Contract for Providing Reception, Storage and Loading of Sulfuric Acid," between Electroandina and Codelco Chile.
- Contract for "Sale of Bituminous Coal" between Electroandina and Codelco Norte.

Contracts with Codelco

The contracts for electric supply of the Codelco Norte Division and the jointly owned companies Minera El Abra and ACL represent a significant part of operating costs for each. The first two were signed in 1995 in normal market conditions; they expire in 2009 and 2017, respectively. The second two were decided through open bidding with the participation of third parties. The other contracts do not substantially influence Codelco's operations and results.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$119,095 thousands.
 2004 Investment in jointly held firm US\$103,847 thousands.

Total investment as a percentage of head office assets 1.123%, 2005.

(*) Codelco executive or board member

ELABORADORA DE COBRE CHILENA LIMITADA

Legal status

Company name: Elaboradora de Cobre Chilena Limitada.
 RUT: 79.681.920-0.
 Created on: 18 December 1995.
 Notary: María Gloria Acharán Toledo.
 Inscription fs. 20.932 N° 10.784 in Santiago's commercial registry, 1995.

Capital subscribed and paid in

Capital subscribed and paid in as of 31 December 2005 was Th\$703,155 pesos.

Purpose

Originally set up in 1995 by Codelco and Madeco SA as a limited liability company whose purpose was to study and develop projects and investment in producing and selling manufactured and semi-manufactured non-ferrous metals, whether directly or in association with third parties.

Through a certified document signed 17 April 1998, the company changed its share structure, with Madeco SA withdrawing, Codelco-Chile taking a 99% interest in the firm, and Minera Picacho holding 1%.

Board of Directors

Mario Espinoza Durán, Director (*)
 Carlos Urzúa Ramírez, Director (*)

General Manager

José Antonio Álvarez López (*)

Codelco's share of capital and changes during the fiscal year

Codelco holds a 99% interest.
 Compañía Minera Picacho SCM holds the remaining 1%.
 There were no changes in equity participation in 2005.

Commercial relations with Codelco

None

Contracts with Codelco

There were no contracts substantially influencing Codelco's operations.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$1,164 thousands.
 2004 Investment in subsidiary US\$681 thousands.

Total investment as a percentage of head office assets 0.011%, 2005.

MINERA PECOBRE S.A. DE C.V.

Legal status

Created on 21 June 1999 in Mexico City, DF, under the name Minera Peñodelco, SA de C.V., as per minute 275,615, volume 10,293, before Notary No. 10 of the DF, Tomás Lozano Molina. Modified on 7 October 1999, to include the Corporación Nacional del Cobre de Chile. On 25 January 2000, an extraordinary meeting of shareholders decided to change the company's name to MINERA PECOBRE, SA de C.V.

Capital subscribed and paid (in mexican pesos)

Fixed capital: 100,000
 Variable capital: 287,406,000
 Registered capital: 287,506,000

Purpose

To explore for, develop and run copper deposits in the State of Sonora, Mexico.

Board of Directors

Jaime Lomelín Guillén, Presidente
 Octavio Alvidrez Cano
 Mario Arreguín Frade
 Juan Enrique Morales Jaramillo (*)
 Nicolás Saric Rendic (*)

Codelco's share of capital and changes during the fiscal year

Codelco's share 49%
 In 2005, Codelco contributed US\$2,548,000, equivalent 20.1 million Mexican pesos.

Commercial relations with Codelco

Codelco provides Minera Pecobre with a range of services in the field of explorations, mainly by assigning experienced professionals highly skilled in exploring for ore deposits who work with Pecobre's projects in Mexico, participating in geological, geochemical and geophysical explorations, and applying other specialized techniques required to define the potential interest of ore deposits in the regions under exploration. In 2005, Codelco assigned exploration professionals to the Cobre Sonora, Mesa Central, Centinela and Generativo IOCG projects.

Contracts with Codelco

Codelco has a contract in effect with Pecobre that in 2004 billed Minera Pecobre, SA de C.V. for US\$977,139 worth of exploration services with the following projects: Cobre Sonora, Franja Cananea Mesa Central, Otras Franjas, Centinela and Generativo IOCG.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$1,193 thousands.
 2004 Investment in jointly held firm US\$1,005 thousands.

Total investment as a percentage of head office assets 0.011%, 2005.

CMS CHILE S.A.

Legal status

Sistemas y Equipos Mineros SA is a private limited company set up using a certified document dated 29 July 1992.

Capital subscribed and paid in

The capital of CMS Chile is US\$9.667 million and consists of 69,000 shares. These shares have no nominal value.

Purpose

The purpose of this company is to manufacture, sell and distribute in Chile and abroad, machinery equipment and replacement parts; furthermore, through its subsidiary, CMS Tecnología SA it provided integrated maintenance services to the main large-scale mining operations in northern and central Chile.

Board of Directors

Alex Acosta Maluenda, President Board of Directors (*)
 Waldo Fortín Cabezas, Director (*)
 Mario Espinoza Durán, Director (*)
 Luis Farías Lasarte

General Manager

José Robles Becerra (*)

Codelco's share of capital and changes during the fiscal year

Codelco Chile owns 100% of CMS Chile SA, and this, in turn, held 30.23% of CMS Tecnología SA up to September 2005.
 In 2005 Codelco took bids on 70% of CMS Tecnología SA shares and in September received offers. The ABB won the bids and took control of CMS Tecnología SA in late October, eliminating CMS Chile's ownership.

Commercial relations with Codelco

The company had no commercial activity in 2005, except the value of its entire share of CMS Tecnología SA, and is not expected to have any in the future.

Contracts with Codelco

The company had no commercial activity in 2005, except the contracts associated with the sale of CMS Tecnología S.A.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$0.
 2004 Investment in jointly held firm US\$0.

Total investment as a percentage of head office assets 0%, 2005.

(*) Codelco executive or board member

ASOCIACIÓN GARANTIZADORA DE PENSIONES

Legal status

The Asociación Garantizadora de Pensiones is a private corporation that serves as a non-profit social benefits mutual; it was legally constituted by Decree N° 1625, 18 June 1927, to guarantee, by replacing associated companies, the payment of pensions under the occupational accident law, Ley de Accidentes del Trabajo N° 4,055. Because it is non-profit, it is exempted from income tax law regulations.

Capital subscribed and paid in

Capital subscribed and paid in by Codelco: \$1,170.

Purpose

Exclusively for the purpose of paying pensions under the labor accidents law, Ley de Accidentes del Trabajo N° 4,055.

Board of Directors

This is composed of the following people, appointed by the majority affiliate, Codelco.

Board members

Carlos Urzúa R. (*)
José Antonio Álvarez L. (*)
Patricio Mac Niven S. (*)
Óscar Salgado W. (*)

Alternates

María Elena Brahms Z. (*)
Gloria Parada Z. (*)
Gustavo Sipia C. (*)

Manager

Celso Núñez Salgado

Codelco's share of capital and changes during the fiscal year

Codelco's share is 96.688338% and has not changed in recent fiscal years.

Commercial relations with Codelco

This firm has no commercial relations with Codelco.

Contracts with Codelco

This firm has no commercial contracts with Codelco.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$719 thousands.
2004 Investment in subsidiary US\$699 thousands.

Total investment as a percentage of head office assets 0.007%, 2005.

COMPLEJO PORTUARIO MEJILLONES S.A.

Legal status

Complejo Portuario Mejillones SA private limited company.

Capital subscribed and paid in by Codelco

Capital subscribed and paid in by Codelco: US\$32,596 thousands.

Purpose

The purpose of this company is to project, build and run a port in Mejillones Bay, Second Region of Antofagasta.

CPM developed the project and won the building and operation of Terminal 1 through a 30-year concession contract granted to the Compañía Portuaria Mejillones SA, a private consortium formed by Ultramar, Constructora Belfi, and Inversiones Portuarias Norte Grande SA.

Directors

President of the Board of Directors: Roberto Souper Rodríguez (*)
Vice-president: Jaime Gibson Aldunate
Director: Nelson Pizarro Contador (*)
Director: Eugenio Lahera Parada
Director: Iván Simunovic Petricio

General Manager:

Jorge Taboada Rodríguez.

Codelco's share of capital and changes during the fiscal year

As of 31 December 2005: 99.99%
No change during the 2005 fiscal year

Commercial relations with Codelco

Codelco provides different kinds of services to CPM, which are charged to its cost center. These include:

- Transportation (air fares, commuting, etc.)
- Computer equipment, software, Internet access and e-mail.

For its part, CPM rents Codelco offices in the Terminal 1 Administration Building and provides consulting services on specific projects.

Contracts with Codelco

- Codelco guarantee contract: this is a guarantee signed by Codelco, the Complejo Portuario Mejillones SA (the port complex) and the Compañía Portuaria Mejillones SA (the port company), in which Codelco guarantees the Compañía Portuaria Mejillones SA payment of any and all sums that CPM owes the port

company as part of the contract to build port facilities and providing port services in Terminal 1, Mejillones (a BOT contract), signed by both, in the event that CPM fails to do so.

- Contract for providing port services for shipping copper, dated 15 November 1999 (CTA contract): This contract governs the provision of port services (copper shipping and others) that the Compañía Portuaria Mejillones SA provides to Codelco. CPM has also signed this contract, in its supervisory role.
- Contract in which CPM rents offices to Codelco, in the Terminal 1 Administration building, October 2003.
- Consulting contract to develop the Baquedano - Mejillones route project.
- Consulting contract with the Vice-Presidency Projects.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$24,113 thousands.

2004 Investment in subsidiary US\$26,113 thousands.

Total investment as a percentage of head office assets 0.227%, 2005

(*) Codelco executive or board member

GEOTÉRMICA DEL NORTE S.A

Legal status

Company name: Geotérmica del Norte SA
RUT: 96.971.330-6
Society registered under repertory number 13.010/2000
Notary: José Musalem Saffie
Start up: 20 December 2000

Capital suscribed and paid in

Capital suscribed and paid in as of 31 December 2005 was Th\$2,253,225.

Purpose

According to Article 4 of its incorporation papers, the company's purpose is to:

- Research, explore for and run geothermal deposits in the First, Second, and Third Regions of Chile;
- Sell, in any form, all products, byproducts, raw materials, manufactured or semi-manufactured products, derived directly or indirectly from the activities mentioned in the previous section, and
- The company can also carry out other activities, directly or indirectly related to the above that optimize company organization.

Board of Directors

Ricardo Campano Gándara - President (*)
Alex Acosta Maluenda (*)
Julio Mayanz Csato
José Manuel Soffia Celis
Nelson Muñoz Guerrero

General Manager

José Manuel Soffia Celis

Codelco's share of capital and changes during the fiscal year

Codelco holds 50.1% of the company.
There were no changes in its share during the last period.

Commercial relations with Codelco

At the end of 2005 no there were no commercial relations between both firms.

Contracts with Codelco

At the end of 2005 there was one contract between both firms, establishing the possibility of Codelco carrying out certain tasks, upon request from the subsidiary through work orders, which may or may not be accepted.

Investment as a percentage of total head office

2005 Investment in subsidiary US\$1,407 thousands.
2004 Investment in subsidiary US\$1,258 thousands.

Total investment as a percentage of head office assets 0.013%, 2005.

INVERSIONES MEJILLONES S.A.

Legal status

Inversiones Mejillones SA
Private limited company

Capital suscribed and paid in

Capital suscribed and paid as of 31 December 2005, was th US\$27,832, consisting of 18,671 shares.

Purpose

To buy and sell any security held as shares, bonds and other instruments issued by the Empresa Electrica del Norte Grande SA "EDELNOR", exercising all rights and fulfilling all obligations deriving from its status as shareholder and holder of these securities, as per the law and company statutes and, in general, acquire, sell, invest in all kinds of intangible property, such as shares, company bonds, deposits, mutual fund quotas, share certificates, bills of credit, securities, etc.; manage said investments and receive their yields; and participate in any other business or activity directly or indirectly related, connected and/or complementary to the company's purpose.

Board of Directors

Jan Flachet
Manlio Alessi Remedi
Henk Bataille
Ricardo Campano Gándara (*)
Jorge Navarrete Martínez (*)

General Manager

Henk Bataille

Codelco's share of capital and changes during the fiscal year

Codelco's share is 34.8%

Commercial relations with Codelco

It has no commercial ties with Codelco

Contracts with Codelco

There were no commercial contracts Codelco in 2005.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$69,957 thousand.
2004 Investment in jointly held firm US\$56,163 thousand.

Total investment as a percentage of head office assets 0.659%, 2005.

(*) Codelco executive or board member

INVERSIONES TOCOPILLA LTDA.**Legal status**

Inversiones Tocopilla Ltda.
Limited liability company

Capital subscribed and paid in

Capital subscribed and paid in by Codelco was US\$152,209 thousand or 49% of equity.

Purpose

To purchase or sell, for any reason, shares, bonds and other securities issued by Electroandina SA, exercise all rights and meet all obligations deriving from its status as shareholder and holder of these securities, as per the law and company statutes and, in general, purchase, sell and invest shares and rights to companies, provided the object of same is the electric power business in any of its forms; manage such investment and receive the yields therefrom; and participate in any other business or activity directly or indirectly related, associated with and/or complementary to the company's purpose.

Board of Directors

Jan Flachet
Manlio Alessi Remedi
Henk Bataille
Jorge Navarrete Martínez (*)
Ricardo Campano Gándara (*)

General Manager

Manlio Alessi Remedi

Codelco's share of capital and changes during the fiscal year

49%.

Commercial relations with Codelco

It had no commercial ties with Codelco.

Contracts with Codelco

There were no commercial contracts with Codelco in 2005.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$175,417 thousand.
2004 Investment in jointly held firm US\$162,714 thousand.

Total investment as a percentage of head office assets 1.654%, 2005.

COMPAÑÍA MINERA PICACHO SCM**Legal status**

Company name: Compañía Minera Picacho SCM
RUT: 78.712.170-5
Created on: 26 September 1994
Repertory N° 6552/94
Notary Andrés Rubio Flores

Capital subscribed and paid in

Capital subscribed and paid in by Codelco (9,999 shares) and Santiago de Rio Grande SAC. (1 share) totaled 771,746,878 pesos.

Purpose

Originally set up in 1994 by Codelco and Sociedad Minera Mount ISA Chile SA, to carry out geological exploration in Codelco and Mount ISA properties. In 1997, Codelco purchased Mount ISA's share and expanded the company's activities to allow it to apply for water exploration permits and obtain water use rights, which has become its main activity in recent times.

Board of Directors

Mario Espinoza Durán, Presidente (*)
Nicolás Saric Rendic (*)
Francisco Camus Infanta (*)

General Manager

Nicolás Saric Rendic (*)

Codelco's share of capital and changes during the fiscal year

Directly and indirectly, Codelco holds 100% of company equity.

Commercial relations with Codelco

None.

Contracts with Codelco

There were no contracts substantially influencing Codelco's operations.

Investment as a percentage of total head office

2005 Investment in subsidiary US\$144 thousand.
2004 Investment in subsidiary US\$126 thousand.

Total investment as a percentage of head office assets 0.001%, 2005.

ISAPRE CHUQUICAMATA LTDA.**Legal status**

Company name: Isapre Chuquicamata Ltda.
RUT N° 79.566.720-2
Limited liability company.

Capital subscribed and paid in

Capital subscribed and paid in by Codelco was 754,951,809 pesos.

Purpose

Provision of health services and benefits, either directly or through financing them, as per the regulations contained in DFL No. 3 published by the Ministry of Health. To meet this objective the company can act and enter into every kind of contract, including forming other companies and joining them.

Board of Directors

President of the Board of Directors
Nelson Pizarro Contador (*)

Directores

Alejandro Salinero Berardi (*)
Manuel Zaballos Mundaca (*)
Nemesio Orellana Rojas (*)
Miguel Cortés Gallardo (*)
Jorge Hernandez Donoso (*)
Hector Lagos Fuentes (*)
Francisco Zuñiga Araneda (*)
Roberto Guerra Ugalde
Hernán Polanco Salfate
Hernán Guerrero Maluenda
Paulina Troncoso Espinoza
Juan Blanco Mella
Gualner Ávalos Ibarbe
Guillermo Cáceres

General Manager

María Rosa Martínez

(*) Codelco executive or board member

ISAPRE RÍO BLANCO LTDA.

ISAPRE SAN LORENZO LTDA.

Codelco's share of capital and changes during the fiscal year

Codelco's share 98.3%
Fusat's share 1.7%

Commercial relations with Codelco

Provision of health care through medical services to all Codelco workers affiliated with this private health insurance firm (Isapre), their family members, and all Codelco's non-working affiliates. The Isapre pays the amount of these services monthly to Codelco.

Contracts with Codelco

Contract for health care services (01-06-82)
Medical equipment and instrument rental contract (01-06-98)
Service provision contract (01-06-98)

Investment as a percentage of total head office

2005 Investment in subsidiary US\$2,551 thousands.
2004 Investment in subsidiary US\$2,250 thousands.

Total investment as a percentage of head office assets 0.024%, 2005.

Legal status

Company name: Isapre Río Blanco Limitada
RUT: 89.441.300-K
Legal status: Limited liability company

Capital subscribed and paid in

Capital subscribed and paid in by Codelco: 536,721,219 pesos

Purpose

Institución de Salud Previsional (Isapre)

Board of Directors

María Elena Etcheberry Court: President
Daniel Trivelli Oyarzún, Director (*)
Hector Cáceres Vicencio, Director (*)
Marcos Vergara Iturriaga, Director
Alvaro Covarrubias Risopatron: Director
Leonardo Whittle Ferrer, Alternate (*)
Manuel Opazo Mortola, Alternate (*)

General Manager

Jaime Del Solar Zorzano, General Manager
Vilma Olave Garrido, Medical Director
María Eugenia Villaroel Villaroel, Deputy Manager, Administration and Finance.

Codelco's share of capital and changes during the fiscal year

Codelco Chile Andina Division: 99.99%
Isapre San Lorenzo Ltda.: 0.01%

Commercial relations with Codelco

The Andina Division has assigned responsibility to this Isapre for providing workers and ex-workers of the Andina Division covered by severance plans, and their registered dependents with health care benefits, including medical, pharmaceutical and dental benefits offered in the health care plans approved during collective bargaining and forming part of labor contracts, which are not financed by the workers' contribution established by law.

Contracts with Codelco

Contract N° 4500435902, for providing health care to workers, former workers and their dependents.

Investment as a percentage of total head office

2005 Investment in subsidiary US\$1,952 thousands.
2004 Investment in subsidiary US\$1,806 thousands.

Total investment as a percentage of head office assets 0.018%, 2005.

Legal status

Company name: Isapre San Lorenzo Ltda.
Legal status: Limited liability company.

Capital subscribed and paid in

Capital subscribed and paid in by Codelco: \$87,395,281 pesos, for 99.95%

Purpose

By itself or through third parties, provision and/or financing of health care services and benefits, as established by the Ministry of Health's DFL N° 3981. To meet this objective, the company can enact or sign any kind of contract and even form or dissolve companies or associations in order to fully comply.

Board of Directors

María Etcheverry Court, President
Marcos Vergara Iturriaga, Director
Alvaro Cobarrubias Risopatrón, Director
Reinaldo Araus Mancilla, Director
Luis Cartes Acuña, Director (*)

Interim Manager

Carlos Alejandro Pardo Chandia.

Codelco's share of capital and changes during the fiscal year

Codelco Chile División Salvador: 99.95%
Note: There was no change in Codelco's share of equity during the past fiscal year.

Commercial relations with Codelco

These involve providing services and financing the health care services committed through agreements and collective bargaining contracts that the Division current has or will eventually have with Salvador Division workers.

Contracts with Codelco

Isapre contract Agreement 4500477240 Cost recovery.
Isapre contract Agreement 4500477241 Health care (interconsultations)
Isapre contract Agreement 4500477243 Uncovered differences.
Isapre contract Agreement 4500449716 Equipment rental.

Investment as a percentage of total head office

2005 Investment in subsidiary US\$1,065 thousands.
2004 Investment in subsidiary US\$765 thousands.

Total investment as a percentage of head office assets 0.010%, 2005.

(*) Codelco executive or board member

CODELCO GROUP USA INC.

Legal status

Set up on 21 December 1992 as a corporation in the State of Delaware, as per Section 108 (c) of the General Corporation Law.

Capital subscribed and paid in

Capital subscribed and paid in by Codelco Chile 1,000 shares, worth US\$1,000.
Codelco Chile also had US\$ 1,205,969 in equity in the Codelco group, as of 31 December 2005 (2004: US\$ 955,969)

Purpose

Any action or activity permitted under the State of Delaware's General Corporation Laws.

Board of Directors

Roberto Souper (*)
Juan Pablo Cortínez (*)
Waldo Fortin (*)

General Manager

Hugo Jordán

Investment as a percentage of total head office

2005 Investment in subsidiary US\$0.
2004 Investment in subsidiary US\$1,194,000.

Total investment as a percentage of head office assets
0%, 2005.

CHILE COPPER LTDA.

Legal status

Limited liability company created in England, 29 March 1971.

Capital subscribed and paid in

Capital paid in £1,000, subscribed 1,000 shares.

Purpose

Codelco's sales agent and representative in the United Kingdom and elsewhere in Europe, for copper and molybdenum products in the UK, Spain, Scandinavia and Turkey.

Board of Directors

Roberto Souper R. (*)
Juan Eduardo Herrera (*)
Juan Pablo Cortínez (*)

General Manager

Gonzalo Cuadra

Investment as a percentage of total head office

2005 Investment in subsidiary US\$1,953 thousands.
2004 Investment in subsidiary US\$2,140 thousands.

Total investment as a percentage of head office assets
0.018%, 2005.

CODELCO KUPFERHANDEL GMBH

Legal status

Limited liability company set up in Hamburg, 27 March 1981.

Capital subscribed and paid in

Capital subscribed and paid in by Codelco Chile, EURO 3,000,000, as the sole shareholder.

Purpose

To import and export, market and transform metal in every form, especially copper, and to conduct business involving equipment for the copper producing industry.

Board of Directors

Juan Villarzú R. (*)
Roberto Souper R. (*)
Juan Eduardo Herrera (*)

General Manager

Heribert Heitling

Investment as a percentage of total head office

2005 Investment in subsidiary US\$18,072 thousands.
2004 Investment in subsidiary US\$29,954 thousands.

Total investment as a percentage of head office assets
0.170%, 2005.

(*) Codelco executive or board member

**INSTITUTO DE INNOVACIÓN EN MINERÍA Y
METALURGIA S.A.**

BIOSIGMA S.A.

Legal status

Instituto de Innovación en Minería y Metalurgia SA
Private limited company.

Capital subscribed and paid in

Capital subscribed and paid in by Codelco Chile: as of
31/12/05 was 1,756,739,421 pesos.

Purpose

The purpose of this company is to develop technological
research and mining processes.

Board of Directors

Juan Enrique Morales Jaramillo (*)
Eugenio Thiers Lillo
Pedro Morales Cerda (*)
Mario Espinoza Durán (*)

Board of Directors

Germán Morales G. (*), Manager
Mario Serrano Lazo, Deputy Manager of Finance and
Business

**Codelco's share of capital and changes during the fis-
cal year**

Codelco currently holds 99.93%.

Commercial relations with Codelco

Currently, the main commercial relations between IM2
and Codelco are defined by the Convenio of Investiga-
ción e Innovación Tecnológica (an agreement on tech-
nological innovation and research) dated 28 September
1998, through which IM2 provides services for prepa-
ring, directing, managing and executing technological
innovation and research programs and projects. The
main link in the future with Codelco Chile will reflect
development of the portfolio of innovative projects and
programs as dictated by Codelco's strategic priorities.
IM2 has been redefining its strategy to bring it into line
with the structure of technological business to position
itself better to add value to Codelco Chile.

Contracts with Codelco

Contract defining the relationship with the subsidiary
Customer Service Technical Documentation
Computer rental service provider.

Investment as a percentage of total head office

2005 Investment in subsidiary US\$3,818 thousands.
2004 estimated investment in subsidiary US\$3,344
thousands.

Total investment as a percentage of head office assets
0.036%, 2005.

Legal status

Company name: BIOSIGMA SA
RUT: 96.991.180-9
Legal status: Private limited company

Capital subscribed and paid in

Capital subscribed and paid in by Codelco: \$4,163,857,516
pesos.

Purpose

BIOSIGMA SA was set up by Codelco in association
with the Nippon Mining and Metals Co., Ltd., of Japan,
31 May 2002. The purpose of the company is to deve-
lop processes and technology in the fields of genomics,
proteomics and bioinformatics for mining and in gene-
ral the application of microorganism-based systems,
and other activities and business related to these areas.
The activities it currently carries out involve research
and development in the fields of genomics, proteomics
and bioinformatics for mining.

Board of Directors

Juan Enrique Morales Jaramillo, Director (*)
Pedro Antonio Morales Cerda, Director (*)
Mario Espinoza Durán, Director (*)
Shigeru Oi, Director
Keiichi Goto, Director
René Muga Escobar, Alternate (*)
Gloria Parada Zamorano, Alternate (*)
Juan González González, Alternate (*)
Takashi Suzuki, Alternate
Norio Sushima, Alternate

General Manager

Ricardo Badilla Ohlbaum

**Codelco's share of capital and changes during the fis-
cal year.**

Codelco's holdings account for 66.67% of subscribed
and paid in shares.

Contracts with Codelco

During the 2005 fiscal year, Codelco had the following
contracts in effect with BIOSIGMA SA:

- Agreement for subscribing and paying share, 25 Fe-
bruary 2005.
- Agreement for subscribing and paying share, 27 July
2005.
- Protocol for helping to apply the technological agree-
ment signed by Codelco and BIOSIGMA SA in Codelco
Norte Division.

Investment as a percentage of total head office

Investment as a percentage of total head office
2005 Investment in jointly held firm US\$3,192 thou-
sands.
2004 Investment in subsidiary US\$849 thousands.

Total investment as a percentage of head office assets
0.030%, 2005.

(*) Codelco executive or board member

SANTIAGO DE RÍO GRANDE S.A.C.**CODELCO INTERNATIONAL LIMITED****Naturaleza Jurídica**

A private limited company, set up using a certified document dated 2 October 1998, notarized by Gloria Cortez Escaida.

Capital subscribed and paid in

The company's capital is worth Th 15,195 pesos.

Purpose

To obtain water rights and explore for mining resources.

Board of Directors

Juan Enrique Morales Jaramillo (*)
Silvio Guirardi Morales (*)
Pedro Cortez Navia (*)

Gerente general

Mirtha Solari Espinoza (*)

Codelco's share of capital and changes during the fiscal year.

Directly and indirectly, Codelco holds 100% of equity.

Commercial relations with Codelco

Codelco provides a range of services to Santiago de Río Grande SA, as part of a mandate to explore for, identify underground water resources and obtain water rights.

Contracts with Codelco

In 2005, the company registered water rights in the name of Santiago de Río Grande SA amounting to 542 l/sec. In August 2004, through public document 100% of these rights were transferred to Codelco Chile in payment of amounts owed for services rendered.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$23 thousands.
2004 Investment in jointly held firm US\$22 thousands.

Total investment as a percentage of head office assets 0.0002%, 2005.

Legal status

Codelco International Limited is a company created in Bermuda, a British protectorate, in 2000, as per the laws of Bermuda, specifically the 1981 Companies Act, section 62(2). Its main business is included under the mining company category, as per its registry with the "Notice of Address of Register Office".

Capital subscribed and paid in

Capital subscribed and paid in by Codelco: US\$49,317,819.

Purpose

The purpose of the company is to manage and control Codelco's interests in several international projects. Through this company and its subsidiary Codelco Technologies Limited, Codelco has made investments with Billiton in Alliance Copper Limited, to use modern technology in mining operations. Also through Codelco International Limited, it has invested in Quadrem International Holdings Limited, a global company formed by the world's main mining firms to operate an electronic market in which companies can buy and sell goods and services.

Codelco International Limited and Codelco Technologies Limited have set up the company, Codelco Do Brasil Mineracao Limitada, based in Brazil, whose purpose is to develop exploration and operating projects, commercial activities and market development.

Board of Directors

Mario Espinoza Durán, Director and President of the Board of Directors (*)
Waldo Fortín Cabezas, Director and Vice-President of the Board of Directors (*)
Christopher G. Garrod, Company representative, resident in Bermuda

Codelco's share of capital and changes during the fiscal year

Directly and indirectly, Codelco holds 100% of company equity.

Commercial relations with Codelco

During this fiscal year, Codelco International Limited and its subsidiary Codelco Technologies Limited used capital from Codelco Chile to invest abroad in firms such as Codelco Brasil Mineracao Limitada, Alliance Copper Ltd and Quadrem International Holding Ltd. This strategy will continue, as decided by Codelco's Board of Directors.

Contracts with Codelco

There are no minutes or contracts between Codelco and Codelco International Limited that substantially affect Codelco's operations or results.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$2,287 thousands.
2004 Investment in subsidiary US\$15,040 thousands.
Total investment as a percentage of head office assets 0.022%, 2005.

(*) Codelco executive or board member

EJECUTORA PROYECTO HOSPITAL DEL COBRE-CALAMA S.A.**Legal status**

Company name: Ejecutora Proyecto Hospital del Cobre-Calama SA. Private limited company

Capital subscribed and paid in

Capital subscribed and paid in by Codelco: \$197.709.430 Pesos.

Purpose

- To plan and build, by itself or through third parties, a building to be used as a hospital in the city of Calama.
- To carry out all activities necessary to meet this purpose, including agreements and contracts as necessary.
- To rent or subrent hospital premises; hire insurance and carry out maintenance, repairs and improvements to said premises.

Board of Directors

Nelson Pizarro Contador, President (*)
Alejandro Salinero Benardi, Director (*)
Francisco Coddou Pereda, Director (*)
María Rosa Martínez Núñez, Director (*)

General Manager

Héctor Cerda Ortiz, (*)

Codelco's share of capital and changes during the fiscal year

Codelco-Chile: 99.99% 184,341,191.04 pesos
Isapre San Lorenzo: 0.01% 18,435.96 pesos

Commercial relations with Codelco

Convenio Marco suscrito entre:

- Codelco-Chile
 - Ejecutora Proyecto Hospital del Cobre-Calama S.A., y
 - Las Américas Administradora Fondos de Inversión S.A.
- This provides the regulatory framework governing the relationship between these parties, for a 20-year period (until 31-03-2021).

Contracts with Codelco.

- Sub-rental of the Hospital del Cobre, Dr. Salvador Allende G., until March 2021, as per framework agreement.
- Accounting and billing service provided to the executing company by Codelco, until 31 March 2021.
- Conceptual engineering for the expansion of the primary care center, provided by Codelco, until December 2004.

Investment as a percentage of total head office

2005 Investment in subsidiary US\$0 thousands.
2004 Investment in subsidiary US\$44 thousands.

Total investment as a percentage of head office assets
2005: 0%.

SOCIEDAD CONTRACTUAL MINERA PURÉN**Legal status**

Company name: Sociedad Contractual Minera Purén
RUT: 76.028.880-2
Created on: 23 September 2003
Repertory N° 250/2003 Acc:Fs.185 N° 207
Notary Fernando Opazo Larraín

Capital subscribed and paid in

Codelco holds 350 shares and Compañía Minera Mantos de Oro 650.

Total capital subscribed and paid: US\$2,692,308.

Capital subscribed and paid in by Codelco: US\$942,308.

Purpose

The purpose of the company is to explore, reconnoiter, prospect, research, develop and operate mining deposits to extract, produce and process ores, concentrates or other products coming from minerals. For these purposes it can install and run plants to process and treat ores; claim and purchase mining rights of any kind; sell, transport, export and commercialize mining substances and products.

Board of Directors

Juan Carlos Alfaro González, President of the Board of Directors
Luis Pizarro Prieto, Director
Cesar Muñoz Araya, Director
Alejandro Gómez Arenal, Director (*)
Nicolás Saric, Director (*)

General Manager

Juan Carlos Alfaro González.

Codelco's share of capital and changes during the fiscal year

Codelco's share is 35% with 350 shares, of a total of 1,000.

Commercial relations with Codelco

There were no sales or purchases of goods or services between this firm and Codelco.

Contracts with Codelco

There are no contracts significantly influencing Codelco's operations and results.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$1,271 thousands.

2004 Investment in jointly held firm US\$32 thousands.

Total investment as a percentage of head office assets
0.012%, 2005.

(*) Codelco executive or board member

FUNDICIÓN TALLERES S.A.**Legal status**

Fundición Talleres SA is a limited company set up by certified document on 11 August 2003, notarized by Jose Musalem Saffie, Santiago.
RUT: 99.532.410 - 5

Capital subscribed and paid in

Capital subscribed and paid as of 31 December 2005, was US\$9,645,333.

Purpose

The purpose of the company is to manufacture and sell scrap steel castings and in general carry out manufacturing and commercial activities in the field of metallurgy and metal-mechanics.

Board of Directors

Cirilo Elton González, President
Alejandro García-Huidobro Ochagavía
Felipe Izquierdo Íñiguez
Mario Espinoza Durán (*)
Alex Acosta Maluenda (*)

General Manager

Enrique Valdivieso

Commercial relations with Codelco

With the sale of 60% of the company, Fundición Talleres Rancagua, retains commercial ties as the supplier of steel replacement parts for the mills and crushers. Moreover, a crusher repair agreement has been set up, given this firm's experience in the field and its complementary repair manufacturing activities.

Business Plan

The company has developed a business plan, in which it essentially proposes to become a regional level leader in the supply of replacement parts, manufacture of heavy parts, as well as an increase in its share of supplying specialized repair services to mining firms.

Contracts with Codelco

- Outsourcing service, management of information technology.
- Corporate auction 2002 elements of GAB DIMO 037/2002 scrap steel castings, supply of CFU-081-02, mill replacement parts, second SAG plant, El Teniente Division, framework contract N° 5500001977.

Investment as a percentage of total head office

2005 Investment in jointly held firm US\$9,347 thousands.

2004 Investment in jointly held firm US\$7,736 thousands.

Total investment as a percentage of head office assets 0.088%, 2005.

Legal status

Company name: Clínica Río Blanco SA
RUT: 99.573.600-4
Legal status: Private limited company

Capital subscribed and paid in

Capital subscribed and paid as of 31 December 2005, was 2,321,272,404 pesos.

Purpose

Provision of health services and benefits, either directly or through financing them, for which it can found, maintain and administer clinics or other health care establishments, provide ambulatory health care, emergency and paramedics; carry out laboratory, pharmacology, analysis, radiology tests, and, in general, any action appropriate to medicine and nursing.

Board of Directors

Daniel Trivelli, President (*)
Francisco Peragallo Carrasco, Director
Rosa María Urzúa Pilotti, Director
Álvaro Covarrubias Risopatrón, Director
Carlos Chico Ramos, Director (*)
Guillermo Vergara Díaz, Director (*)
Manuel Cristián Manríquez Salas, Director (*)

Manuel Opazo Mortola, Alternate (*)
Hector Cáceres V, Alternate (*)
Luis Galdames Cisterna, Alternate (*)
Rubén Urrea S, Alternate (*)
Nelson Castillo Barra, Alternate (*)
Sergio Flores C., Alternate (*)
Leonardo Whittle F, Alternate (*)

General Manager

Juan Carlos Cabezas Beroiza

Codelco's share of capital and changes during the fiscal year

Codelco Chile Andina Division: 99% Isapre Río Blanco Ltda.: 1%

(*) Codelco executive or board member

EXPLORACIONES MINERAS ANDINAS S.A

Commercial relations with Codelco

The Andina Division, as delegated manager of compulsory occupational health and safety insurance under Law N°16,744 and its amendments, has entrusted the Isapre Río Blanco with looking after occupational diseases, accidents on the job affecting workers, special examinations and pre-hiring examinations.

Contracts with Codelco

Contract N° 4500525276 for providing health care as per Law N°16,744.

Contract N° 4500604608, rescue brigade maintenance service, DAND mining management.

Participación de la inversión en total de la matriz

2005 Investment in subsidiary US\$3,434 thousands.

2004 Investment in subsidiary US\$2,915 thousands.

Total investment as a percentage of head office assets 0.032%, 2005.

Legal status

Exploraciones Mineras Andinas SA was created through official document on 29 July 2004, as a private, limited company whose shareholders are:

- Corporación Nacional del Cobre, holding a 99.9% share.
- Sociedad de Inversiones Copperfield Ltda. With a 0.1% share.

As of 30 November 2004, at the first special shareholders meeting, the company's name was changed from Exploraciones Mineras SA to Exploraciones Mineras Andinas SA, and it may use the name «EM Exploraciones Mineras» or «Exploraciones Mineras Andinas».

Capital subscribed and paid in

Capital subscribed and paid as of 31 December 2005, was \$125,812,000 pesos.

Purpose

The purpose of this firm is "to carry out in Chile and abroad, on its own or with third parties, the planning, direction and execution of mining and water exploration programs and services, which involve the services of drilling, chemical analyses, sampling, laboratory analysis, geological and geophysical mapping, measurements of physical properties, characterization of materials, support services and all other services necessary to realize these programs; advisory services in the fields of geology, geotechniques, geochemical, geometallurgy and hydrogeology; training of staff in areas related to mining exploration; seminars, workshops, and courses; publications; and in general realize contracts and related civil and commercial business, necessary or leading directly or indirectly to the fulfilling the company's collective goals."

Board of Directors

Fidel Báez Núñez (President) (*)

Francisco Camus Infanta (*)

Nicolás Saric Rendic (*)

Jaime Piña Piña (*)

Carlos Huete Lira (*)

General Manager

Sergio Rivera Cabello

Participación de Codelco en el capital y variaciones ocurridas durante el último ejercicio.

Shareholders' interests have not changed.

Commercial relations with Codelco

As of 15 October 2004, the company signed a framework contract with Codelco to implement and execute exploration programs for Codelco in Chile, through which it will be responsible for drilling, chemical analyses, mapping, material characterization, geophysics, data processing and other others, including moreover supervision and quality control of these activities.

This contract, which requires that the company provide services solely to Codelco, expires 31 December 2007, and may be renewed for the same and successive three-year periods by common agreement between the two parties. The contract ceiling for the first three years was 31,180,200,000 pesos, a reference only, since final amounts depend on the programs that Codelco refers to the company for execution. For the purpose of the technical and administrative elements of the contract, a management evaluation committee exists formed by executives with Codelco's explorations department (Gerencia Corporativa de Exploraciones). This committee will meet quarterly, to adjust and review programs. Moreover, the company signed a second service provision contract with Codelco to maintain Codelco's mining concession data base for one year starting 3 January 2005, for a total value of 51,200,280 pesos.

Contracts with Codelco

Described above.

Investment as a percentage of total head office

2005 Investment in subsidiary US\$191 thousands.

2004 Investment in subsidiary US\$160 thousands.

Total investment as a percentage of head office assets 0.001%, 2005.

(*) Codelco executive or board member

CMS TECNOLOGÍA S.A.

Legal status

CMS Tecnología SA is a private limited company, set up using a certified public document dated 1 July 1999.

Capital subscribed and paid in

In October 2005, Codelco Chile sold 70% of this company to ABB Services SA (Asea Brown Boveri). As of 31 December 2005, capital subscribed and paid in by Codelco Chile stood at US\$4,009,938.

Purpose

The purpose of this company is to provide integrated maintenance services to productive units, machinery and mining equipment in the main locations where large-scale mining is occurring in northern and central Chile. With the inclusion of ABB Services SA in October 2005 as the controlling partner, the business strategy has focused on incorporating the "Full Service Contract" concept in the field of integrated Plant Management, with its central purpose in Chile being the provision of copper mining services.

Board of Directors

Enrique Daniel Rohde, Chairman of the Board
Wilson Monteiro Junior, Director
Mauricio Cayetano Rossi, Director
José Robles Becerra, Director (*)
Héctor Hip Soto, Director (*)

General Manager

Mauricio Cayetano Rossi

Codelco's share of capital and changes during the fiscal year

Codelco Chile holds a 30% stake in CMS Tecnología SA, with ABB Services SA holding the remainder, after winning a public tender and assuming a controlling interest in October 2005.

Commercial relations with Codelco

There is no additional commercial relationship with Codelco, beyond that stipulated in the service contracts in effect with its different divisions.

Contracts in effect with Codelco

Contracts in effect during 2005 with the El Teniente Division were:

- Integrated maintenance for the Sewell crusher plant operation and support for its crusher and mill operations, Plant Management.
- Support service to general maintenance, Plant Management
- Technical assistance to the Teniente 8 railway.
- Technical assistance on rock breakers.
- Mechanical maintenance assistance to the SX mechanical maintenance plant, Plant Management.
- Provision and manufacturing of an arm for the mill relining machine.
- Changes to furnace tap-hole plugging machine.

With Andina Division, it has a contract for general mechanical maintenance and replacement parts as needed by mills and crushers.

With Codelco Norte Division it has the following contracts:

- Crusher plant electro-mechanical maintenance service - Chuquicamata.
- General mechanical maintenance service - Radomiro Tomic
- Tire repair and maintenance service - Radomiro Tomic

Investment as a percentage of total head office

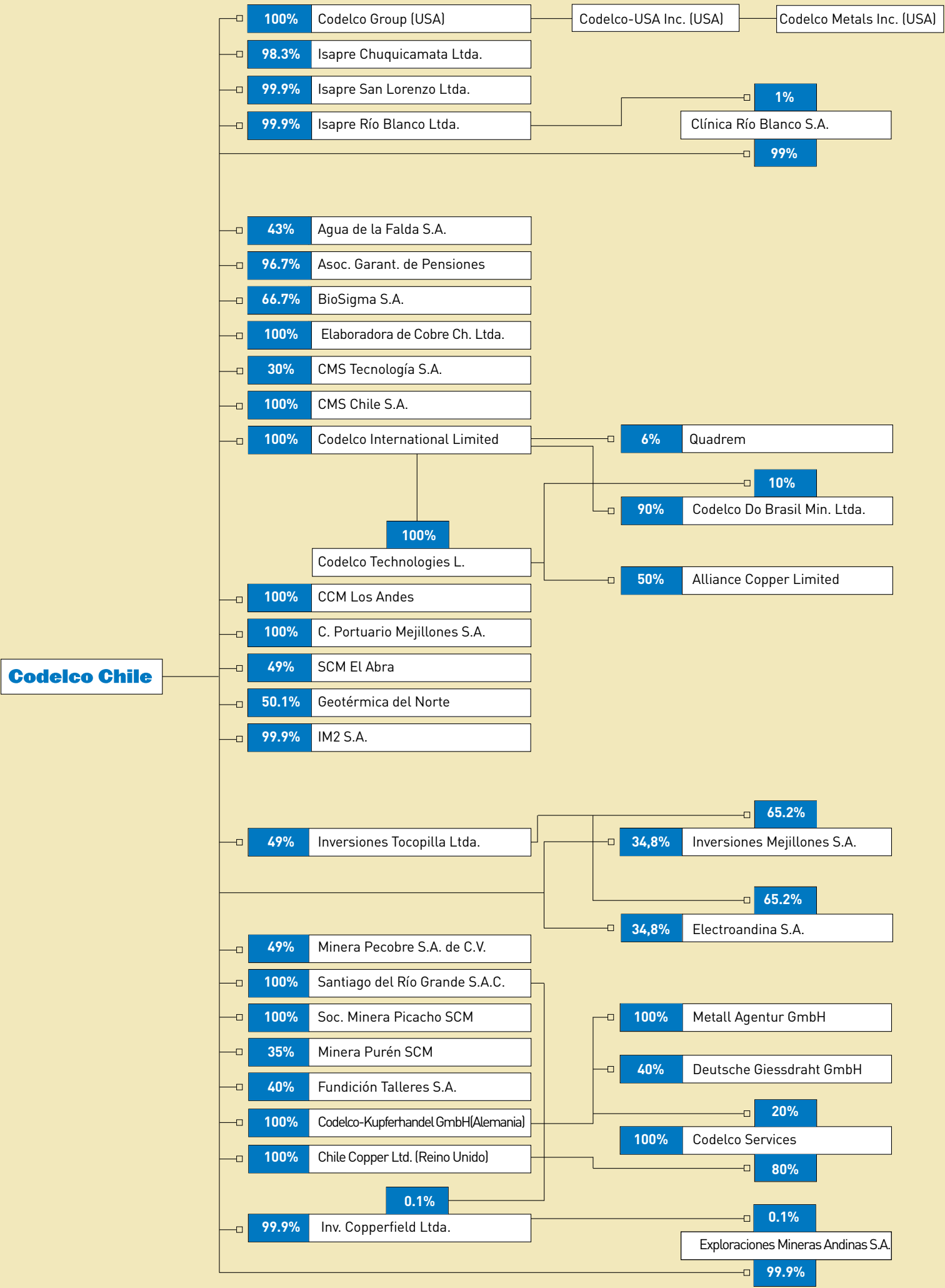
2005 Investment in jointly held firm US\$1,468 thousands
2004 Investment in subsidiary US\$3,683 thousands

Total investment as a percentage of head office assets:
0.013%, 2005

(*) Codelco executive or board member

Network of subsidiaries and joint ventures









Financial statements

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Financial Statements 2005

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\$ Chilean pesos
\$ Thousands of Chilean pesos
US\$ US dollars
US\$ Thousands of US dollars
Credits

Financial Statements 2005



Independent auditors' report

Deloitte.

To the Chairman and 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, 2005 and 2004, and the related consolidated statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on these financial statements based on our audits. We have not audited the financial statements at December 31, 2005 and 2004, 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. At December 31, 2005 and 2004, the direct and indirect investment of the Company in such investees and the total assets reflected by the financial statements of such subsidiaries represent 7.5% and 6.8%, respectively, of the total consolidated assets, and the year's net equity in income of these investees and the total sales reflected by the financial statements of these subsidiaries represent 7.1% and 8.2%, respectively, of the total consolidated sales.

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 finan-

cial 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 the Company, 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, the 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, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Chile.

The notes to the accompanying financial statements are a simplified version of those included in the consolidated financial statements of Corporación Nacional del Cobre de Chile and subsidiaries filed with the Superintendency of Securities and Insurance, upon which we have issued our report under this same date. Such financial statements contain additional information required by such Superintendency, which is not indispensable for their adequate interpretation.

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

Mario Muñoz V.

February 10, 2006

Consolidated balance sheets*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

ASSETS	2005	2004
Current assets		
Cash	15,526	10,786
Time deposits	201,720	243,761
Marketable securities	396	481
Trade receivables, net	1,162,315	663,544
Notes receivable	5,098	3,868
Other receivables, net	158,974	129,042
Due from related companies	3,214	5,188
Inventories, net	1,020,600	753,631
Taxes recoverable	89,183	134,807
Prepaid expenses	6,815	12,384
Deferred taxes	108,515	78,090
Other current assets	22,500	3,042
Total current assets	2,794,856	2,038,624
Property, plant and equipment		
Land	54,962	31,433
Buildings and infrastructure	7,055,175	6,269,722
Machinery and equipment	6,477,183	5,970,762
Other plant and equipment	99,525	54,632
Technical appraisal revaluation	368,901	370,926
Accumulated depreciation	(7,670,833)	(7,180,639)
Net property, plant and equipment	6,384,913	5,516,836
Other assets		
Investments in related companies	723,369	559,774
Investments in other companies	3,093	3,780
Goodwill	25,628	0
Long-term receivables	162,058	165,552
Due from related companies	55,387	82,612
Intangibles	23,703	17,911
Accumulated amortization	(1,812)	(495)
Other assets	567,853	448,772
Total other assets	1,559,279	1,277,906
TOTAL ASSETS	10,739,048	8,833,366

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

Consolidated balance sheets*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

LIABILITIES AND EQUITY	2005	2004
Current liabilities		
Banks and financial institutions	46,162	43,600
Current portion of long-term debt	306,381	2,099
Current portion of bonds payable	30,740	19,764
Dividends payable	407,000	81,950
Accounts payable	566,236	379,040
Notes payable	1,899	1,329
Miscellaneous payables	103,190	61,006
Due to related companies	80,114	40,607
Accruals	382,557	316,466
Withholdings	98,043	80,979
Income taxes payable	146,004	347
Deferred income	26,920	2,506
Other current liabilities	4,810	918
Total current liabilities	2,200,056	1,030,611
Long-term liabilities		
Due to banks and financial institutions	600,000	900,000
Bonds payable	2,722,512	1,951,529
Notes payable	85,948	91,825
Miscellaneous payables	101,095	57,749
Accruals	994,180	793,833
Deferred taxes	1,008,553	1,110,668
Other long-term liabilities	82,651	23,461
Total long-term liabilities	5,594,939	4,929,065
Minority interest	3,019	1,743
Equity		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,325,390	1,312,568
Retained earnings:		
Net income for the year	1,779,609	1,134,173
Profits distribution to the Chilean Treasury	(1,688,388)	(1,099,217)
Total net equity	2,941,034	2,871,947
TOTAL LIABILITIES AND EQUITY	10,739,048	8,833,366

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

Consolidated income statements*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
	5,427,708	3,511,613
Sales	10,490,573	8,203,661
Cost of sales	(4,801,086)	(4,484,556)
Gross profit	5,689,487	3,719,105
Administrative and selling expenses	(261,779)	(207,492)
NON-OPERATING EXPENSES	(1,356,493)	(808,930)
Interest income	22,361	13,106
Equity in income of related companies	110,032	107,272
Other income	121,391	206,832
Equity in losses of related companies	(10,514)	(20,139)
Amortization of goodwill	(810)	0
Interest expense	(189,208)	(142,765)
Other expenses	(1,301,595)	(913,305)
Price level restatement	(240)	(298)
Foreign exchange differences	(107,910)	(59,633)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	4,071,215	2,702,683
Income taxes	(2,295,331)	(1,568,997)
INCOME BEFORE MINORITY INTEREST	1,775,884	1,133,686
MINORITY INTEREST	3,725	487
NET INCOME FOR THE YEAR	1,779,609	1,134,173

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

Consolidated cash flow statements*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
Cash flow from operating activities		
Collection of accounts receivable	10,855,438	8,431,233
Interest income collected	19,822	5,524
Dividends and other distributions collected	735	0
Other income collected	677,318	475,593
Payments to suppliers and personnel	(5,258,722)	(4,515,254)
Interest paid	(23,066)	(106,257)
Income taxes paid	(2,214,183)	(1,334,312)
Other expenses paid	(1,029,970)	(566,828)
Value added tax and other similar taxes paid	(622,572)	(415,661)
Net cash provided by operating activities	2,404,800	1,974,038
Cash flow from financing activities:		
Loans obtained	390,000	340,000
Bonds payable	718,737	490,660
Other financing obtained	7,870	6,788
Profits distribution to the Chilean Treasury	(1,389,247)	(1,002,643)
Loan payment	(393,600)	(777,700)
Net cash used in financing activities	(666,240)	(942,895)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	44	76,936
Proceeds from sales of permanent investments	7,000	0
Proceeds from sale of other investments	0	7,203
Collection of loans to related companies	34,300	0
Other investment income	87,111	37,267
Purchases of property, plant and equipment	(1,844,681)	(893,145)
Investments in related companies	(4,098)	(8,318)
Investments in financial instruments	(3,880)	0
Loans to related companies	(12,170)	(1,601)
Other investment disbursements	(39,572)	(54,301)
Net cash used in investing activities	(1,775,946)	(835,959)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(37,386)	195,184
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR	255,028	59,844
CASH AND CASH EQUIVALENT AT THE END OF YEAR	217,642	255,028

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

Reconciliation between net income and cash flow*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
Net income for the year	1,779,609	1,134,173
Income from sale of assets:		
Proceeds from sales of property, plant and equipment	(3,638)	(76,649)
Profit from sale of investments	(832)	0
Charges (credits) to income which do not represent cash flows:		
Depreciation	457,642	424,885
Amortization of assets	166,720	129,529
Write-off and provisions	144,635	279,862
Equity in income of related companies	(110,032)	(107,272)
Equity in losses of related companies	10,514	20,139
Amortization of goodwill	810	0
Price level restatement, net	240	298
Foreign exchange differences, net	107,910	59,633
Other credits to income which do not represent cash flows	(111,733)	(52,582)
(Increase) decrease in assets that affect operating cash flow:		
Accounts receivable	(498,771)	(309,422)
Inventories	(266,969)	125,477
Other assets	(43,083)	191,564
Increase (decrease) in liabilities that affect operating cash flow:		
Accounts payable related to operating activities	161,285	56,957
Interest payable	9,163	(8,539)
Income taxes payable	158,926	(2)
Value added tax and other similar taxes payable	446,129	106,474
Minority interest	(3,725)	(487)
Net cash provided by operating activities	2,404,800	1,974,038

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

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Management considers these explanatory notes offer sufficient information but less detailed than that contained in the explanatory notes that are an integral part of the consolidated financial statements which were filed with the Superintendency of Securities and Insurance, and are available to the general public. This information is also available at the Company's office.

NOTE 1. REGISTRATION IN THE SECURITIES REGISTER

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

The Company was formed as stipulated by Law Decree (D.L.) N° 1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a legal entity in itself and with its own equity. Codelco currently carries out its mining business through its Codelco Norte (made up of the following ex divisions: Chuquicamata and Radomiro Tomic), Salvador, Andina, El Teniente, and Ventanas Divisions. The Ventanas Division was formed on May 1, 2005, through the purchase of Fundición y Refinería Las Ventanas from ENAMI. Also, on May 31, 2004, Codelco terminated the activities of the Talleres Division, which operated metalworking workshops. The Company also carries out similar activities in other mining deposits in association with third parties.

As established in D.L. No. 1,350, Codelco's financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES APPLIED

a) Accounting period

These consolidated financial statements reflect the financial position of the Company and its subsidiaries as of December 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended.

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 maintained 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 its subsidiaries:

Asociación Garantizadora de Pensiones, Isapre Chuquicamata Limitada, Instituto de Innovación en Minería y Metalurgia S.A., Isapre San Lorenzo Limitada, Isapre Río Blanco Limitada, Chile Copper Limited (UK), Codelco Group USA Inc. (United States), Codelco International Limited (Bermuda), Codelco Kupferhandel GMBH (Germany), Codelco Services Limited (UK), Metall Agentur GmbH (Germany), Codelco Metals Inc. (United States), Codelco Technologies Ltd. (Bermuda), Codelco Do Brasil Mineracao (Brazil), Copper Technology Investment Inc. (United States), Semi Solid Metal Investors Llc. (United States), Corporación del Cobre (USA) Inc. (United States), Compañía Minera Picacho (SCM), Compañía Contractual Minera Los Andes, Elaboradora de Cobre Chilena Limitada, CMS - Chile Sistemas y Equipos Mineros S.A., Ejecutora Proyecto Hospital del Cobre Calama S.A., Complejo Portuario Mejillones S.A., Santiago de Río Grande S.A., Exploraciones Mineras Andinas S.A. and Clínica Río Blanco S.A.. The interest that Codelco holds in the above companies fluctuates between 96% and 100%. Likewise, in Mineracao Vale Do Curaca (Brazil), Sociedad Geotérmica del Norte S.A. and Biosigma S.A., Codelco holds an interest of 51%, 50.01% and 66.67%, respectively.

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

Although Codelco owns 66.75% of Electroandina S.A. and Inversiones Mejillones S.A., directly or indirectly, the Company does not control the management of these companies, and therefore, in accordance with generally accepted accounting principles in Chile, the conditions to include these subsidiaries in the Codelco financial statements consolidation are not met, the ownership is as follows:

Electroandina S.A.

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

Inversiones Mejillones S.A.

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

e) Constant currency restatement

The financial statements of the Chilean subsidiaries, which keep their accounting records in Chilean pesos, have been price-level restated to recognize the effects of the variation in the currency's purchasing power during each year. In line with this, restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for the year ended December 31, 2005 and 2004 were 3.6% and 2.5%, respectively.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

f) Basis of conversion

The Company’s assets and liabilities in Chilean pesos, mainly composed of cash, accounts receivable, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each year-end of Ch\$512.50 per US dollar as of December 31, 2005 (2004: Ch\$557.40 per US dollar).

UF-Denominated Assets and Liabilities

At December 31, 2005 and 2004, assets and liabilities denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$ rates effective at the end of the period (2005: Ch\$512.50 and 2004: Ch\$557.40) and the UF value on the closing dates of the financial statements. (2005: \$ 17,974.81; 2004: \$17,317.05).

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

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

The average exchange rate for the year ended December 31, 2005 was Ch\$ 559.68 per US dollar, (2004: Ch\$609.41).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of December 31, 2005 and 2004 have been translated into US dollars at the exchange rates on those dates, Ch\$512.50 and Ch\$557.40 per US dollar, respectively.

Foreign subsidiaries

As of December 31, 2005 and 2004, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the closing exchange rates as of the respective year-end, as follows:

	2005 US\$	2004 US\$
Pound sterling	1.71792	1.92567
Euro	1.18259	1.36370
Mexican peso	0.09241	0.08937

g) Time deposits

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

h) Marketable securities

Marketable securities include mutual fund units stated at market value and 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 methods:

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

- Materials in warehouse: Materials in warehouse are valued at acquisition cost. The Company calculates an obsolescence provision depending on the length of time in stock of materials experimenting slow turnover in the warehouse.

- Materials in transit: Materials in transit are valued at the cost incurred as at the year-end.

j) Allowance for doubtful accounts

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

k) Property, plant and equipment

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

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

l) Depreciation

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

m) Exploration, mine development and mine operating costs 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 over future mineral production. These costs include extraction of waste material, constructing the mine’s infrastructure and other work carried out prior to the production phase.

- 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.

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

n) Leased assets

Property, plant and equipment recorded under finance leasing contracts are recorded as other property, plant and equipment. These 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 based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

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 year-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.

p) Investments in other companies

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

q) Intangibles

Intangibles are recorded at the amount of the disbursements made and are amortized in accordance with Technical Bulletin N°55 issued by the Chilean 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. 824, and the D.L. N°2,398 at a 40% tax rate.

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

s) Severance indemnities and other long-term benefits

The Company has an agreement with its employees for payment of severance indemnities. It is the Company's policy to provide for the total accrued obligation under the shut-down method.

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

t) Revenue recognition

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

u) Derivative contracts

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

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

- Hedging policies for exchange rates and interest rates.

The Company contracts exchange rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transaction are made in.

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

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

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

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

v) Computer software

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

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

w) Research and development expenses

Research and development expenses are charged to income as incurred.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

x) Statement of cash flows

Cash and cash equivalents includes unrestricted cash and bank balances, time deposits and as short-term marketable securities maturing within 90 days, in accordance with Technical Bulletins issued by the Chilean 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 year-end. The discount or premium on bond issuance is capitalized as deferred expenses, included in the item other in Other Assets or in the item other long-term liabilities in long-term liabilities, respectively and is amortized using the straight-line method over the term of the bonds.

z) Environmental exit costs

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

aa) Law N° 13,196

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

ab) Cost of sales

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

ac) Bond issuance cost

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

ad) Goodwill

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

ae) Operations with resale and repurchase agreement

Purchases of financial instruments with resale and repurchase agreements are recorded at cost interest plus and restatements at the year-end and are presented in current assets - other.

af) Reclassifications

Certain 2004 figures have been reclassified for comparative purposes with 2005 figures.

NOTE 3. CHANGES IN ACCOUNTING PRINCIPLES

As of January 1, 2004, the Chilean Institute of Accountants issued the Technical Bulletin N°72 (Note 8) which must be applied for new investments in related companies from that date forward.

At December 31, 2005, there were no other changes in accounting policies and accounting criteria described in Note 2, with respect to the previous year.

NOTE 4. 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 under which business transacted with individuals 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 procedure.

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 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.

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, Vicepresidents, Corporate Internal Auditor, the members of the Divisional Boards of Directors and Divisional Chief Executive Officers should be approved by this Board.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Pursuant to this regulation, during the 2005 and 2004 Codelco-Chile's Board of Directors became aware of agreements with companies and individuals for the total amounts indicated below, which should be performed in the terms specified by each agreement (In ThUS\$):

Company name	Nature of the relationship	2005	2004
Bosch S.A	Executive' spouse	2,385	47
Alquimia S.A.	Executive' son	0	17
PSITEC Servicios Psicológicos Ltda.	Executive' daughter	0	9
Fabiola Ximena Álvarez Gómez	Executive' daughter	0	32
Cristian Aguilera Alcayata	Executive' son	11	0
Industrial Support Company Ltda.	Executive' participation	301	0
Ingenieros Insitu S.A.	Executive' daughter	792	0
Marticorena & Cía. July	Codelco employee	41	0
Giovanna Riveri Cerón	Employee' sister	33	0
Gestra S.A.	Executive' spouse	10	0
Comunicaciones Bitelco Ltda.	Relative of an employee	20	0
Ana Mejías Liberona	Employee' daughter	2	0
Manuel Araneda Catex	Relative of an executive	0	6
Mario Cabezas Leighton	Executive' son	0	48
Transbosch Ltda.	Executive' spouse	44	0

b) Directors' Remunerations

During 2005 and 2004, the members of the Board of Directors have received the following amounts as per diems, remunerations and fees (in ThUS\$):

b.1) Directors' per diems

Name	2005	2004
José Alfonso Dulanto Rencoret	17	14
Nicolás Eyzaguirre Guzmán	16	13
Patricio Meller Bock	44	34
Jorge Navarrete Martínez	44	34
Ricardo Ortega Perrier	43	35
Bismarck Robles Guzmán	44	28
René Valdenegro Oyaneder	44	28

b.2) Remunerations

Name	2005	2004
Bismarck Robles Guzmán	54	50
René Valdenegro Oyaneder	75	48

b.3) Fees

Name	2005	2004
Jorge Navarrete Martínez	64	57

c) Operations with Codelco investees

The Company also has comercial and financial transactions, that are necessary for its activities, with entities in which it has a participation in equity. The former refer to the purchase and sale of products or services, at market prices and the financial operations refer mainly to loans in current accounts which are subject to price level restatements and interest under the agreed upon contract conditions.

The main transactions with related companies are with investees and correspond to purchases for goods and services for ThUS\$548,889 in 2005 (ThUS\$442,917 in 2004) and sales for goods and services in 2005 for ThUS\$27,409 (ThUS\$22,704 en 2004) all at market prices.

NOTE 5. INVENTORIES

At December 31, 2005 and 2004, inventories amounted to ThUS\$1,020,600 and ThUS\$753,631, respectively, comprising finished products, products in process and material in warehouse. Inventory values are net of obsolescence allowance for material in warehouse for ThUS\$46,387 and ThUS\$32,236 as of December 31, 2005 and 2004, respectively. At December 31, 2005, finished products are presented, net of unrealized profits for ThUS\$51,003.

NOTE 6. DEFERRED TAXES AND INCOME TAXES

a) Deferred taxes

The deferred tax calculated in accordance with the policy described in Note 2 r) represents a net liability of ThUS\$900,038 at December 31, 2005, comprising assets for ThUS\$480,110 and liabilities for ThUS\$1,380,148. At December 31, 2004 deferred tax represents a net liability of ThUS\$1,032,578, comprising assets for ThUS\$351,331 and liabilities for ThUS\$1,383,909.

In 2005, the effect of deferred taxes was a credit to income of ThUS\$132,540 and in 2004 it was a credit of ThUS\$41,089.

b) Income taxes

At December 31, 2005 and 2004, the provisions for first category income tax and that required by D.L. No. 2,398 amount to ThUS\$2,427,650 and ThUS\$1,485,728, respectively and are shown in income taxes payable in current liabilities, netted against estimated monthly payments of taxes and other tax credits in 2005, and in taxes recoverable in current assets, netted against estimated monthly payments of taxes and other tax credits in 2004.

The subsidiaries' income tax provision charged to income amounted to ThUS\$221 in 2005 and ThUS\$506 in 2004 and is presented in income tax payable, net of estimated provisional monthly tax payments and other tax credits.

At 31 December 2004 there are other charges to the account for ThUS\$41,674.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

c) Tax Law 20,026

On June 16, 2005, income tax law D L. 824 was modified by Law 20,026, establishing a progressive tax rate on mining activity operating margins in Chile (5% for companies with sales over 50,000 metric tons of equivalent copper) and will be applied as of January 2006. In October 2005, the Chilean Internal Revenue Service issued a regulation regarding the law.

To this effect, at December 31, 2005, ThUS\$ 21,363 has been recorded in deferred taxes, under specific tax on mining activities. This tax will apply over net sales of the Company's own production from January 1, 2006.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2005 and 2004 are detailed below (in ThUS\$):

a) Property, plant and equipment	2005	2004
Land and mining rights	54,962	31,433
Buildings and infrastructure	7,055,175	6,269,722
Machinery and equipment	6,477,183	5,970,762
Other plant and equipment	99,525	54,632
Technical appraisal revaluation	368,901	370,926
Total gross property, plant and equipment	14,055,746	12,697,475

b) Accumulated depreciation and depreciation for the year	2005	2004
Buildings and infrastructure	(3,759,771)	(3,524,066)
Machinery and equipment	(3,887,455)	(3,640,934)
Other plant and equipment	(7,853)	(2,947)
Accumulated depreciation - subsidiaries	(15,754)	(12,692)
Total accumulated depreciation	(7,670,833)	(7,180,639)
Depreciation and amortization for the year	593,077	539,661

c) Assets acquired through capital leases correspond to buildings and infrastructure, 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.

d) As a result of the acquisition of Fundición y Refinería Las Ventanas, from Empresa Nacional de Minería (ENAMI), property, plant and equipment increased as follows (in ThUS\$):

Item	
Land	24,588
Land improvements	28,574
Buildings	49,056
Work in progress	160
Machinery and equipment	277,732
Total	380,110

e) The Company has already deducted ThUS\$46,791 from its assets for those mining sectors of Salvador Division that will have to shut down and has presented them in other non-operating expenses.

NOTE 8. INVESTMENTS IN RELATED COMPANIES

At December 31, 2005 and 2004, total investments in investees amount to ThUS\$723,369 and ThUS\$559,774, respectively. The net profits of these companies for 2005 and 2004 amounted to ThUS\$99,518 and ThUS\$87,133, respectively.

These investments are expressed net of unrealized gains for ThUS\$165,870 and ThUS\$212,068 in 2005 and 2004, respectively.

In general, Codelco's foreign investments 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) Principal investees of Codelco:

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 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 Agua de La Falda S.A. capital increase, reducing its interest from 49% to 43%.

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

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

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.

Inversiones Tocopilla Ltda. and Electroandina S.A.

Inversiones Tocopilla Ltda. is a holding company in which Inversora Eléctrica Andina S.A. (a consortium of Powerfin S.A. of Belgium, Iberdrola S.A. of Spain and Enagas S.A. of Chile) has a 51% interest and Codelco a 49% interest.

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

Sociedad Contractual Minera El Abra

Sociedad Contractual Minera El Abra was formed in 1994 by Codelco (49%) and Cyprus El Abra Corporation (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.

Inversiones Mejillones S.A.

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

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

Sociedad Contractual Minera Purén

Sociedad Contractual Minera Purén was formed on September 23, 2003 by Codelco 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.

Fundición Talleres S.A.

Fundicion Talleres S.A. is a private company formed on October 1, 2003 by Codelco and Elaboradora de Cobre Chilena Ltda. On October 23, 2003 Fundición

Talleres S.A. acquired, from Talleres Division of Codelco, machinery and other operational assets at a book value of Th\$8,066,432 (ThUS\$12,560). On January 23, 2004 Codelco sold 60% of its ownership to Compañía Electro Metalúrgica S.A., generating a loss of ThUS\$2,744, which was charged to 2004 results.

Its purpose is production of steel parts and fittings.

CMS Tecnología S.A.

CMS Tecnología S.A., a private company, whose purpose is to manufacture, market and distribute mining equipment and spares, and to provide maintenance and repair service for the same.

On October 4, 2005, the Company sold to ABB Chile S.A. 70% of CMS Tecnología S.A. shares for ThUS\$7,000, gaining a ThUS\$832 profit.

Other related companies

Through its subsidiary, Codelco International Limited, Codelco also holds an ownership in Alliance Copper Limited and Quadrem International Holdings Limited of 50% and 6%, respectively.

b) Contributions to related companies

During the 2004 and 2005 fiscal years, Codelco Chile made the following contributions in the form of cash payments or capitalization of payables, worth US\$10.093 million in 2004, US\$4.098 million, which break down as follows:

Name	2005 MUS\$	2004 MUS\$
Minera Pecobre S.A. de C.V.	2,548	2,548
Alliance Copper Limited	1,550	4,300
Fundición Talleres S.A.	0	2,327
Soc. Contractual Minera Purén	0	918

These capital contributions were recorded in accordance with Technical Bulletin N°72 issued by the Chilean Institute of Accountants.

c) Unrealized gains

The Company has recorded unrealized gains on contributions from mining properties, fixed assets and ownership rights. The most significant transactions are detailed below:

Sociedad Contractual Minera El Abra

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. The recognition of income is in relation to the depletion of Sociedad Contractual Minera El Abra. At December 31, 2005 gains for ThUS\$20,566 were recognized (2004, ThUS\$20,104).

Electroandina S.A.

There is an unrealized gain on the contribution of fixed assets in 1996. The gain will be recognized over ten years through 2006. At December 31, 2005, a gain of ThUS\$18,159 (ThUS\$18,159 in 2004) was recognized.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Inversiones Tocopilla Ltda.

There is an unrealized gain on the initial contribution of ownership rights in 1996. The gain will be recognized over ten years through 2006. At December 31, 2005, a gain of ThUS\$6,532 (ThUS\$6,532 in 2004) was recognized.

NOTE 9. GOODWILL

The Law N°19,993 dated December 17, 2004 authorized 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 ThUS\$389,226 plus VAT for ThUS\$2,501 on taxed fixed assets. Such transaction mainly consisted in the acquisition of the assets of the industrial complex and certain liabilities related to the industrial complex’s employee benefits.

The following is a summary of the operation:

- a) Property, plant and equipment ThUS\$380,110,
- b) Materials in warehouse ThUS\$4,020,
- c) VAT (property, plant and equipment) ThUS\$2,501,
- d) Personnel current accounts ThUS\$10,161,
- e) Recognition of severance indemnity provision ThUS\$29,427,
- f) Recognition of vacation provision ThUS\$2,076.

At December 31, 2005, the goodwill resulting of this transaction, to be amortized in 20 years, in accordance with the estimated life of the investment, was ThUS\$25,628. Amortization for 2005 amounted to ThUS\$810.

NOTE 10. OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS - CURRENT

Current obligations with banks and financial institutions amount to ThUS\$46,162 and ThUS\$43,600 in 2005 and 2004, respectively. At December 31, 2005, US\$40,000 are denominated in US dollars and pay no interest and ThUS\$6,162 are denominated in euros at a 3.07% annual interest rate. In 2004 they are denominated in US dollars and pay no interest.

Long - term bank obligations due within one year amount to ThUS\$306,381 in 2005 and ThUS\$2,099 in 2004, they are in US dollars at an average annual interest rate of 4.59% in 2005 and 2.71% in 2004.

NOTE 11. OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS - LONG TERM

At December 31, 2005 and 2004, these obligations amount to ThUS\$600,000 and ThUS\$900,000, respectively, and are denominated in US dollars at an interest rate

based on Libor. The average annual interest rate was 4.46% in 2005 and 2.71% in 2004. At December 31, 2005 these obligations mature as follows: ThUS\$300,000 in 2008 and ThUS\$300,000 in 2009.

NOTE 12. CURRENT AND LONG-TERM BONDS

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 mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year’s accrued interest was ThUS\$3,728 and ThUS\$3,788, respectively.

On November 18, 2002, the Company issued and placed bonds in the Chilean market, under Superintendency of Securities and Insurance norms. These bonds were issued for a nominal amount of UF7,000,000, (equivalent to ThUS\$245,510 and ThUS\$216,529 at December 31, 2005 and 2004, respectively) in a single denominated A Series, and are represented by 70,000 certificates for UF100 each. These bonds mature in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year’s accrued interest was ThUS\$3,277 and ThUS\$2,890, respectively.

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 interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year’s accrued interest was ThUS\$2,451 and ThUS\$2,438, respectively.

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 interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year’s accrued interest was ThUS\$5,893 and ThUS\$5,817, respectively.

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 interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year’s accrued interest was ThUS\$5,089 and ThUS\$4,831, respectively.

On May 10, 2005, the Company issued and placed bonds in the local market, for a nominal amount of UF6,900,000 (equivalent at December 31, 2005, to ThUS\$242,002) in a single denominated B Series, and are 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. At December 31, 2005 the current liability for accrued interest was ThUS\$2,420.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

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. At December 31, 2005 the current liability for accrued interest was ThUS\$7,882.

NOTE 13. ACCRUALS

At December 31, 2005 and 2004, long-term accruals amount to ThUS\$994,180 and ThUS\$793,833, respectively. These accruals cover the Company's long-term commitments, arising from exit plans, contingencies, severance indemnities and others related to personnel benefits in union contracts.

The changes in the long-term accruals for severance indemnities are summarized below (in thousands of US dollars):

Movements	Long-term liabilities	
	2005	2004
Balance as of January 1	600,871	453,930
Provision for the year (including effects for variations in exchange rates)	158,815	166,238
Transfers to current liability	(63,653)	(19,297)
Total	696,033	600,871

NOTE 14. CHANGES IN EQUITY

a) The Company was formed by D.L. No. 1,350 dated 1976, which establishes that all net income earned by the Company goes to the benefit of the Chilean Government after deducting amounts that, by a charge to net earnings for each year, must be maintained in Other Reserves as established in Article 6 of D.L. N°1,350, and have to be included in the proposal made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

The composition of Other Reserves as of December 31, 2005 is as follows (in thousands of US dollars):

Detail	Year	Accumulated
Capitalization of net income (exempt decree ministry of mining and treasury department)	9,047	627,228
Cumulative translation adjustment - subsidiaries	3,775	38,495
Reserves for housing programs	0	35,100
Technical appraisal revaluation D.L. N°3,648	0	624,567
Balance of Other Reserves as of December 31, 2005	12,822	1,325,390

b) At December 31, 2005, the Company recognized a surplus in favor of the Chilean Treasury for ThUS\$1,688,388, charged to 2005 income, which reduces equity. At December 31, 2005, dividends to be paid to the Chilean Treasury are presented in current liabilities, in the dividends payable item.

Changes in equity during 2005 and 2004 are detailed below (in thousands of US dollars):

Movements	2005				2004			
	Paid-in capital	Other reserves	Profit distributions	Net income for the year	Paid-in capital	Other reserves	Profit distributions	Net income for the year
Beginning balance - January 1	1,524,423	1,312,568	(1,099,217)	1,134,173	1,524,423	1,302,491	(94,725)	89,230
Transfer to reserves and profit distributions	0	0	1,099,217	(1,099,217)	0	0	80,100	(80,100)
Profits distributions against prior year results	0	0	0	(25,909)	0	0	0	0
Capitalization of reserves and/or other income	0	9,047	0	(9,047)	0	9,130	0	(9,130)
Net changes in equity in subsidiaries and investees of the company	0	3,775	0	0	0	947	0	0
Net income for the year	0	0	0	1,779,609	0	0	0	1,134,173
Provisional profit distribution to Chilean Treasury	0	0	(1,688,388)	0	0	0	(1,084,592)	0
Tota	1,524,423	1,325,390	(1,688,388)	1,779,609	1,524,423	1,312,568	(1,099,217)	1,134,173

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

NOTE 15. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses at December 31, 2005 and 2004 are detailed below (in thousands of US dollars):

a) Other non-operating income

	2005	2004
Miscellaneous sales	9,588	4,712
Service sales	16,199	10,398
Realized gains on contributions to companies	45,257	44,795
Proceeds from sales of property, plant and equipment	0	76,649
Other	50,347	70,278
Total	121,391	206,832

b) Other non-operating expenses

	2005	2004
Adjustments to severance indemnity	19,198	100,569
Contingencies accrued	0	12,821
Write-off of property, plant and equipment	5,072	23,544
Stamp tax	11,687	12,865
Closure costs	69,500	12,868
Pre-investment expenses	89,348	40,119
Health plans	90,958	25,075
Retirement plans	68,625	13,524
Export tax (Law N°13,196)	825,702	598,196
Other	121,505	73,724
Total	1,301,595	913,305

NOTE 16. PRICE LEVEL RESTATEMENT

As stipulated in D.L. No. 1,350 of 1976, the Company records its operations in U.S. dollars. Therefore price level restatement figures stem from the consolidation with subsidiaries, which registered a net charge to income of ThUS\$240 and ThUS\$298 in 2005 and 2004, respectively.

NOTE 17. EXCHANGE RATE DIFFERENCES

Assets and liabilities, traded in currencies other than US dollars, have been converted at the year-end exchange rate, resulting in a net credit to income of ThUS\$107,910 and ThUS\$59,633 in 2005 and 2004, respectively.

NOTE 18. DERIVATIVE CONTRACTS

The Company holds contracts for pricing operations. These contracts amount to 784 thousand metric tons of fine copper (ThMTF), 382 ThMTF for sales contracts and 402 ThMTF for production contracts, out of which, at year-end, 653 ThMTF are protected (251 ThMTF for sales contracts and 402 ThMTF for production contracts) and mature from July 2007 to March 2012 with a negative exposure of ThUS\$225,705. Additionally, at December 31, 2005, the Company holds contracts for gold pricing operations for 4 ThMTF, with a positive exposure of ThUS\$32.

At December 31, 2004, the Company has interest rate hedge contracts for ThUS\$373,001, which mature in August 2012 and April 2025. At December 31, 2005 these contracts shows a positive exposure of ThUS\$19,969.

Also, at December 31, 2005, the Company has contracts in place to fix the interest rate fluctuations of bank loans for ThUS\$300,000, with a positive exposure of ThUS\$5,889. Deferred payments under these contracts amounted to ThUS\$26,572 in 2005 and ThUS\$36,710 in 2004, which are classified in the item Other under Other Assets and amortized during the outstanding periods of each obligation, between January 2006 and September 2008.

NOTE 19. CONTINGENCIES AND COMMITMENTS

Codelco is involved in various pending legal actions initiated by, or against, the Company which result from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. In addition, with respect to all such lawsuits, the Company defends its rights and uses all legal and proceeding resources available.

Other commitments

a) In July the Board of Directors of the Company was informed of the Salvador mineral situation; and hence management initiated activities in order to close the oxide line by 2008 at the latest and the sulphides line by 2011 at the latest.

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.

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 associated with the activities being closed.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

b) On May 31, 2005, Codelco signed an agreement with Minmetals to create a company, in which both companies will participate equally. Also, they agreed on the terms of a 15-year sales agreement regarding cathodes for that joint venture and a purchase agreement with Minmetals for the same term and monthly shipments until completing 823,250 metric tons. Codelco will receive an advance of US\$550 million as a payment from the joint venture. 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.

On the other hand, 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 to go forward with said initiative.

During the first quarter of 2006, based on agreed financial conditions, the financing contracts with the China Development Bank must be formalized, allowing the joint company to make the US\$550 million payment.

At the date of the December 31, 2005 financial statements, the contract is still not in operation.

Nonetheless, on December 20, 2005, the Board of Directors decided to contract price hedging transactions for the equivalent of 27,850 tons in relation to this contract.

c) 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 products of the small and medium size mining industry that ENAMI serves, upon terms agreed to by both parties.

d) The Corporation, following its cost-reduction programs through the use of modern technologies, has established personnel early severance programs, with benefits that encourage retirement, which obligation is recognized as a provision when the employee commits to his/her retirement.

e) Codelco through its subsidiary Codelco Technologies and Billiton Jersey Limited participate 50% each in Alliance Copper Limited Agencia en Chile to develop a feasibility study for the design, construction, set up and operation of a prototype innovative technology plant in the Chuquicamata district, for the purpose of industrial scale testing of biolixiviation of complex copper concentrates. In August 2005, an agreement was reached with Billiton Jersey Limited, which establishes an extension of the innovation and technology testing period, and includes an option for the purchase of the shares of Alliance Copper Limited Agencia en Chile, from Billiton Jersey Limited.

There are no restrictions or covenants associated with the Company's financial or public obligations.

The Company has obligations for ThUS\$3,675 (2004: ThUS\$37,525) with the Chilean Treasury, under Law N°18,634 corresponding to deferred custom duties. The Company has also given notes in guarantee for ThUS\$41,442 in 2005 (2004: ThUS\$40,992).

NOTE 20. SURETIES 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 in its operating Divisions, which amount to ThUS\$254,989 in 2005 and ThUS\$179,386 in 2004.

NOTE 21. ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCY

At December 31, 2005, the Company has assets traded in local currency for ThUS\$334,388 (2004: ThUS\$294,884) and liabilities for ThUS\$1,414,036 (2004: ThUS\$1,270,681).

NOTE 22. SANCTIONS

Codelco-Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency or other administrative authorities.

NOTE 23. ENVIRONMENT

The practice of exploration and recognition of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company 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 exploration of mineral resources both in Chile and abroad.

At December 31, 2005, Codelco Norte, formed by Chuquicamata and Radomiro Tomic Divisions, Andina, El Salvador and Teniente Divisions, and the head office received ISO 14001 certification.

Simplified notes to the Consolidated Financial Statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Also, the subsidiary, Exploraciones Mineras Andinas S.A., received ISO 14001 certification.

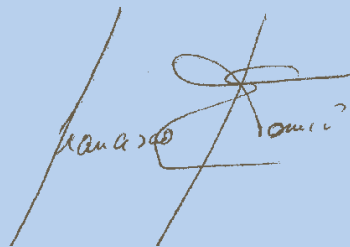
In accordance with this policy, in 2005 the Company has made investments, related to environment issues, which amount to ThUS\$30,883 (2004: ThUS\$29,371).

NOTE 24. SUBSEQUENT EVENTS

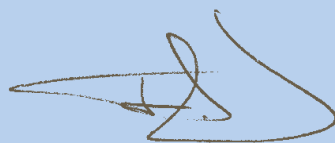
The Company's management has no knowledge of any significant events of a financial nature or any other nature, occurring between December 31, 2005 and the date of issuance of these financial statements (February 10, 2006) which might affect them.



Juan Villaezú Rohde
President and Chief
Executive Officer



Francisco Tomic Errázuriz
Senior Vice-President
Human Development and Finance



Fernando Moure Rojas
Senior Vice-President for
Shared Services



Mario Allende Gallardo
Chief Accountant

Analysis of consolidated financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

The following section is intended to analyze and explain the main variations in the Consolidated Financial Statements of Corporación Nacional del Cobre de Chile (CODELCO) between the years ended December 31, 2005 and December 31, 2004, respectively. Below, we summarize the information contained in these financial statements.

All amounts expressed in thousands of United States dollars.

BALANCE SHEET	31.12.2005	31.12.2004	VARIATION
Liquidity	Ratio	Ratio	%
Current Assets/Current Liabilities	1.27	1.98	-36%
(Current Assets-Inventories-Prepaid Expenses)/Current Liabilities	0.80	1.23	-35%
Indebtedness	Ratio	Ratio	
Total Debt (L)/Equity Times	2.65	2.08	28%
Current Liabilities/Total Debt (L)	0.28	0.17	63%
Long-Term Liabilities/Total Debt (L)	0.72	0.83	-13%
	ThUS\$	ThUS\$	
Liabilities (L)	7,794,995	5,959,676	31%
Income for the year plus income tax and Law No. No. 13,196	4,900,642	3,301,366	48%
Activity	Ratio	Ratio	
Trade accounts receivable turnover	9.03	12.36	-27%
Collection recovery (360 days)	40	29	37%
Inventory turnover times	4.70	5.95	-21%
Inventory permanence (360 days)	77	61	26%
Profitability (Income after taxes)	Ratio	Ratio	
% of Assets	16.57	12.84	29%
% of Equity	60.51	39.49	53%
% of operating asset performance (2)	17.77	13.71	30%

Analysis of consolidated financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$			
Results	31.12.2005 ThUS\$	31.12.2004 ThUS\$	
Net sales	10,490,573	8,203,661	28%
Cost of sales	(4,801,086)	(4,484,556)	7%
Net operating income	5,427,708	3,511,613	55%
Net non-operating loss	(1,356,493)	(808,930)	68%
Interest expense	(189,208)	(142,765)	33%
Depreciation for the year	(457,642)	(424,885)	8%
Amortization of intangible assets	(166,720)	(129,529)	29%
EBIT	4,071,215	2,702,683	51%
Law No. 13,196	(825,702)	(598,196)	38%
Income tax	(2,295,331)	(1,568,997)	46%
EBITDAie (1)	4,884,785	3,399,862	44%
Net income for the year	1,779,609	1,134,173	57%
Equity	31.12.2005 ThUS\$	31.12.2004 ThUS\$	
Equity	2,941,034	2,871,947	2%
Net property, plant and equipment	6,384,913	5,516,836	16%
Total Assets	10,739,048	8,833,366	22%
Net income/(loss) per share in US\$	Not applicable	Not applicable	
	31.12.2005 MTF	31.12.2004 MTF	
Physical sales volume (own copper and third party copper) including trading operations	2,036,104	2,296,593	-11%

(1) EBITDAie: Equity before taxes, interest, depreciation, amortization and extraordinary items.
(2) Total assets less investments in other companies and in related companies are considered to be operating assets.

Analysis of consolidated financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Analysis of differences between book and economic value

Due to the nationalization process, the Company's deposits, are recognized in accounting at US\$1 each. Consequently, the economic value of these deposits differs from their book value.

This results in understatement in equity for accounting purposes and assets compared to their economic value.

Analysis of market variations

As of December 31, 2005, markets in which the Company commercializes its products have shown no significant changes. However, note that the sustained increase in the price of copper in the international markets.

Analysis of the Balance Sheet

As of December 31, 2005, the current liquidity ratio had a decrease compared to the same period of prior year when compared to the figure as at December 2004, due to a lower proportional increase in current assets (increase in trade accounts receivable, notes receivable from related companies, inventories) compared to current liabilities (increase in debt due to banks and financial institutions, accounts payable, dividends payable, accrued expenses and income tax).

During 2005, current assets amounted to ThUS\$2,794,856 (ThUS\$ 2,038,624 as of December 2004) mainly composed of inventories (net) for a sum of ThUS\$1,020,600 (36.52%) , trade accounts receivable for a sum of ThUS\$ 1,162,315 (41.59%), time deposits for ThUS\$ 201,720 (7.22%) and the difference is composed of other current asset accounts.

As of December 31, 2005, net property, plant and equipment amounted to ThUS\$6,384,913 (ThUS\$5,516,836 as of December 2004) mainly composed of buildings and infrastructure for a sum of ThUS\$7,055,175 , machinery and equipment for a sum of ThUS\$ 6,477,183, accumulated depreciation for a sum of ThUS\$ 7,670,833, other accounts in this item explain the difference.

As of December 31, 2005, current liabilities amount to ThUS\$ 2,200,056 (ThUS\$1,030,611 as at December 2004) and are composed of debt due to banks and financial institutions for a sum of ThUS\$352,543 (16.02%), dividends payable for a sum of ThUS\$407,000 (18.50%), accounts payable for a sum of ThUS\$566,236 (25.74%), miscellaneous accruals for an amount of ThUS\$ 382,557 (17.39%) plus other miscellaneous liabilities.

As of December 31, 2005, long-term liabilities amounted to ThUS\$ 5,594,939 (ThUS\$ 4,929,065 as at December 2004), mainly composed of debt due to banks and financial institutions and bonds payable for a sum of ThUS\$ 3,322,512 (59.38%), deferred income taxes for a sum of ThUS\$ 1,008,553 (18.03%) and miscellaneous accruals for a sum of ThUS\$ 994,180 (17.77%).

These amounts determine ratios and indicators shown in the previous pages.

As of December 31, 2005, equity amounts to ThUS\$ 2,941,034 (ThUS\$ 2,871,947 as at December2004).

As of December 31, 2005, the Company's total debt amounted to ThUS\$7,794,995 (ThUS\$ 5,959,676 as at December 2004), this gives rise to higher indebtedness ratio for 2005 of 2.65 times (2.08 times as at December 2004).

Analysis of the Statement of Income

Operating income for 2005 amounted to ThUS\$ 5,427,708, which is higher to that recorded in 2004 of ThUS\$3,511,613. Net sales amounted to ThUS\$10,490,573, which is higher by ThUS\$ 2,286,912 compared to that obtained in 2004 mainly due to better price.

The sales price of the Company's mix (own copper and third party copper) from January to December 2005 amounted to US\$ 1.66 per pound (US\$ 1.30 per pound for the period between January and December 2004).

Analysis of consolidated financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Highlights for 2005 were as follows:

Net sales totaled ThUS\$ 10,490,573, of which ThUS\$ 6,332,578, equivalent to 60.36%, relate to the sale of own copper, ThUS\$1,125,190, equivalent to 10.73% to sale of copper acquired from third parties, ThUS\$2,254,901, equivalent to 21.49% for sale of molybdenum and the difference relates to by-products. Subsidiaries' operations as a hole generated revenues of ThUS\$495,703.

Sales of own copper and third party copper in 2005 amounted to 2,036,104 MTF (2,296,593 MTF in 2004), which include the amount of 30,167 MTF by subsidiaries in the United Kingdom and the United States (81,698 MTF in 2004).

As of December 31, 2005, cost of sales totaled ThUS\$ 4,801,086, of which ThUS\$ 2,879,740, equivalent to 59.98%, relate to own copper, ThUS\$ 1,102,874, equivalent to 22.97% to copper acquired from third parties, ThUS\$205,544, equivalent to 4.28% to molybdenum and the difference to by-products. Subsidiaries operations as a whole generated cost of ThUS\$ 491,764 in 2005.

Non-operating results generated net expense of ThUS\$ 1,356,493 (ThUS\$ 808,930 as at December 2004). Other non-operating expenses amounting to ThUS\$ 1,301,595, include a sum of ThUS\$ 825,702 (63.44%) related to the tax in accordance with Law No. 13,196 of 10% on exports of own copper and by-products.

The Company's surplus for the year 2005 (earnings before income tax, extraordinary items and Law No. 13,196 tax plus minority interest) amounted to ThUS\$ 4,900,642, which is higher by ThUS\$ 1,599,276 than the amount obtained in 2004, mainly due to improved operating income.

As a result, income before income taxes and extraordinary items amounted to ThUS\$ 4,071,215 and net income amounted to ThUS\$ 1,779,609.

Analysis of the Statement of Cash Flows

For 2005, the Company obtained a net positive flow from operating activities of ThUS\$ 2,404,800, higher by ThUS\$ 430,762 compared to the prior year due to an increase in net sales.

On the other hand, financing activities for 2005 generated a negative flow of ThUS\$ 666,240, lower than the negative flow of ThUS\$ 942,895 generated in the prior year, which is mainly explained by the increase in debt due to banks and financial institutions and bonds payable and lower amortization of loans during the year.

Finally, as at December 2005, investing activities generated a net negative flow of ThUS\$ 1,775,946, which is higher than the negative flow of ThUS\$ 835,959 obtained as at December 2004. This increase is mainly explained by the acquisition of the Las Ventanas Refinery and Foundry in May 2005.

In consideration of these flows, plus the opening cash balances, the Company obtained an ending balance of cash and cash equivalents of ThUS\$ 217,642 for 2005, which is lower than the amount of ThUS\$ 255,028 obtained as at December 2004.

Independent auditors' report

Deloitte.

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

We have audited the accompanying balance sheets of Corporación Nacional del Cobre de Chile (the "Company") as of December 31, 2005 and 2004, and the related statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on these financial statements based on our audits. We have not audited the financial statements at December 31, 2005 and 2004, 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. At December 31, 2005 and 2004, the direct and indirect investment of the Company in such investees and subsidiaries represents 6.7% and 6.6%, respectively of the total assets and the year's net equity in income of these companies represents 1.0% and 1.2% in 2005 and 2004, respectively of the total sales.

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 the Company, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The abovementioned financial statements have been prepared to reflect the stand-alone financial position of Corporación Nacional del Cobre de Chile, based on the criteria described in Note 2, before consolidating the financial statements of the subsidiaries detailed in Note 8. Consequently, for an adequate interpretation, these stand-alone financial statements should be read and analyzed together with the consolidated financial statements of Corporación Nacional del Cobre de Chile and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, based on our audits and the reports of other auditors, the financial statements, present fairly, in all material respects, the financial position of Corporación Nacional del Cobre de Chile as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with the principles described in Note 2.

The notes to the accompanying financial statements are a simplified version of those included in the stand-alone financial statements of Corporación Nacional del Cobre de Chile filed with the Superintendency of Securities and Insurance, upon which we have issued our report under this same date. Such financial statements contain additional information required by such Superintendency, which is not indispensable for their adequate interpretation.

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

Mario Muñoz V.

February 10, 2006

Individual balance sheets*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

ASSETS	2005	2004
Current assets		
Cash	10,691	1,231
Time deposits	167,954	240,366
Marketable securities	1	1
Trade receivables, net	1,135,177	645,848
Notes receivable	103	66
Other receivables, net	155,889	124,700
Due from related companies	85,216	15,019
Inventories, net	964,027	729,665
Taxes recoverable	85,639	132,798
Prepaid expenses	5,900	11,298
Deferred taxes	108,220	77,784
Other current assets	5,405	256
Total current assets	2,724,222	1,979,032
Property, plant and equipment		
Land	51,309	26,655
Buildings and infrastructure	6,933,652	6,144,169
Machinery and equipment	6,466,231	5,927,567
Other plant and equipment	95,139	54,302
Technical appraisal revaluation	368,901	370,926
Accumulated depreciation	(7,655,079)	(7,167,947)
Net property, plant and equipment	6,260,153	5,385,672
Other assets		
Investments in related companies	771,381	631,779
Investments in other companies	190	433
Goodwill	25,628	0
Long-term receivables	162,058	165,314
Due from related companies	74,858	95,528
Intangibles	23,622	17,838
Accumulated amortization	(1,735)	(425)
Other assets	563,716	446,524
Total other assets	1,619,718	1,356,991
TOTAL ASSETS	10,604,093	8,721,695

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

Individual balance sheets*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

LIABILITIES AND EQUITY	2005	2004
Current liabilities		
Banks and financial institutions	40,000	43,600
Current portion of long-term debt	306,381	2,099
Current portion of bonds payable	30,740	19,764
Dividends payable	407,000	81,950
Accounts payable	512,406	360,232
Miscellaneous payables	100,632	59,111
Due to related companies	88,032	51,000
Accruals	379,756	312,899
Withholdings	96,966	76,754
Income taxes payable	141,783	0
Deferred income	10,591	2,278
Other current liabilities	4,766	909
Total current liabilities	2,119,053	1,010,596
Long-term liabilities		
Due to banks and financial institutions	600,000	900,000
Bonds payable	2,722,512	1,951,529
Miscellaneous payables	101,095	57,749
Accruals	1,028,283	795,911
Deferred taxes	1,009,721	1,111,308
Other long-term liabilities	82,395	22,655
Total long-term liabilities	5,544,006	4,839,152
Equity		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,325,390	1,312,568
Retained earnings:		
Net income for the year	1,779,609	1,134,173
Profits distribution to the Chilean Treasury	(1,688,388)	(1,099,217)
Total net equity	2,941,034	2,871,947
TOTAL LIABILITIES AND EQUITY	10,604,093	8,721,695

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

Individual income statements*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
Sales	9,994,870	7,632,464
Cost of sales	(4,309,322)	(3,916,805)
Gross profit	5,685,548	3,715,659
Administrative and selling expenses	(241,122)	(196,889)
OPERATING INCOME	5,444,426	3,518,770
Interest income	21,444	11,737
Equity in income of related companies	115,874	112,159
Other income	115,372	200,693
Equity in losses of related companies	(24,011)	(28,373)
Amortization of goodwill	(810)	0
Interest expenses	(188,522)	(141,795)
Other expenses	(1,300,639)	(911,567)
Foreign exchange differences	(107,898)	(59,793)
NON-OPERATING EXPENSES	(1,369,190)	(816,939)
INCOME BEFORE INCOME TAXES	4,075,236	2,701,831
INCOME TAXES	(2,295,627)	(1,567,658)
NET INCOME FOR THE YEAR	1,779,609	1,134,173

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

Individual cash flow statements*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
Cash flow from operating activities		
Collection of accounts receivable	9,962,198	7,634,676
Interest collected income	18,905	4,125
Dividends and other distributions collected	5,849	0
Other income collected	671,299	469,486
Payments to suppliers and personnel	(4,380,870)	(3,713,489)
Interest paid	(22,380)	(105,287)
Income taxes paid	(2,214,479)	(1,333,807)
Law 13,196 and other expenses paid	(1,029,970)	(566,828)
Value added tax and other similar taxes paid	(621,616)	(413,923)
Net cash provided by operating activities	2,388,936	1,974,953
Cash flow from financing activities		
Loans obtained	390,000	340,000
Bonds payable	718,737	490,660
Profits distribution to the Chilean Treasury	(1,389,247)	(1,002,643)
Loan payments	(393,600)	(777,700)
Net cash used in financing activities	(674,110)	(949,683)
Cash flow from investing activities		
Proceeds from sales of property, plant and equipment	44	76,936
Proceeds from sale of permanent investments	2,898	0
Proceeds from sale of other investments	0	7,203
Collection of loans to related companies	37,326	0
Other investment income	87,111	37,267
Purchases of property, plant and equipment	(1,833,036)	(880,022)
Investments in related companies	(8,503)	(11,845)
Investments in financial instruments	(3,880)	0
Loans to related companies	(20,166)	(1,601)
Other investment disbursements	(39,572)	(54,301)
Net cash used in investing activities	(1,777,778)	(826,363)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(62,952)	198,907
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR	241,598	42,691
CASH AND CASH EQUIVALENT AT THE END OF YEAR	178,646	241,598

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

Reconciliation between net income and cash flow from operating activities*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
Net income for the year	1,779,609	1,134,173
Income from sale of assets:		
Proceeds from sales of property, plant and equipment	(3,638)	(76,649)
Proceeds from sale of investments	(757)	0
Charges (credits) to income which do not represent cash flows:		
Depreciation	456,540	419,401
Amortization of assets	166,720	129,529
Write-off and provisions	182,861	279,556
Equity in income of related companies	(115,874)	(112,159)
Equity in losses of related companies	24,011	28,373
Amortization of goodwill	810	0
Foreign exchange differences, net	107,898	59,793
Other credits to income which do not represent cash flows	(111,733)	(52,582)
(Increase) decrease in assets that affect operating cash flow:		
Accounts receivable	(489,329)	(310,964)
Inventories	(234,362)	117,730
Other assets	(84,451)	193,778
Increase (decrease) in liabilities that affect operating cash flow:		
Accounts payable related to operating activities	155,608	65,069
Interest payable	9,163	(8,539)
Income taxes payable	141,783	0
Value added tax and other similar taxes payable	404,077	108,444
Net cash provided by operating activities	2,388,936	1,974,953

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

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Management considers these explanatory notes offer sufficient information but less detailed than that contained in the explanatory notes that are an integral part of the stand-alone financial statements which were filed with the Superintendency of Securities and Insurance, and are available to the general public. This information is also available at the Company's office.

NOTE 1. REGISTRATION IN THE SECURITIES REGISTER

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

The Company was formed as stipulated by Law Decree (D.L.) N° 1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a legal entity in itself and with its own equity. Codelco currently carries out its mining business through its Codelco Norte (made up of the following ex divisions: Chuquicamata and Radomiro Tomic), Salvador, Andina, El Teniente and Ventanas Division. The Ventanas Division was formed on May 1, 2005 through the purchase of Fundición y Refinería Las Ventanas from ENAMI. Also on May 31, 2004, Codelco terminated the activities of the Talleres Division, which operated metalworking workshops. The Company also carries out similar activities in other mining deposits in association with third parties.

As established in D.L. No. 1,350, Codelco's financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES APPLIED

a) Accounting periods

These financial statements reflect the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations and cash flows for the year then ended.

b) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles issued by the Chilean Institute of Accountants, and regulations of the Superintendency, except for investments in subsidiaries, which are recorded at the equity method in a single line of the balance sheet and, therefore, have not been consolidated on a line-by-line basis. This treatment does not modify the net income for the year or equity.

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.

These financial statements have been issued only for a stand-alone analysis of the Company and, consequently, should be read together with the consolidated financial statements, which are required by generally accepted accounting principles in Chile.

c) Reporting currency

In accordance with Article 26 of D.L. No.1,350, the Company's records are maintained in United States dollars.

d) Basis of conversion

The Company's assets and liabilities in Chilean pesos, mainly composed of cash, accounts receivable, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each year-end of Ch\$512.50 per US dollar as of December 31, 2005 (2004: Ch\$557.40 per US dollar).

UF-Denominated Assets and Liabilities

At December 31, 2005 and 2004, assets and liabilities denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$ rates effective at the end of the period (2005: Ch\$512.50; 2004: Ch\$557.40) and the UF value on the closing dates of the financial statements (2005: Ch\$17,974.81; 2004: Ch\$17,317.05).

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

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

The average exchange rates for the year ended December 31, 2005 was Ch\$559.68 per US dollar (2004: Ch\$ 609.41).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of December 31, 2005 and 2004 have been translated into US dollars at the exchange rates on those dates, Ch\$512.50 and Ch\$557.40 per US dollar, respectively.

Foreign subsidiaries

As of December 31, 2005 and 2004, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the closing exchange rates as of the respective year-end as follows:

	2005 US\$	2004 US\$
Pound sterling	1.71792	1.92567
Euro	1.18259	1.36370
Mexican peso	0.09424	0.08937

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

e) Time deposits

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

f) Inventories

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

- Finished products and products in process: Following the full-cost absorption method, finished products and products in process are valued at average production cost. Production costs include depreciation of property, plant and equipment and indirect expenses.
- Materials in warehouse: The Company calculates an obsolescence provision depending on the length of time in stock of slow turnover materials in the warehouse.
- Materials in transit: Materials in transit are valued at the cost incurred as at the year - end.

g) Allowance for doubtful accounts

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

h) 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.

i) Depreciation

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

j) 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 over future mineral production. These costs include extraction of waste material, constructing the mine’s infrastructure and other work carried out prior to the production phase.
- 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.
- Costs of delineating new deposit areas in exploitation and of mining operations (property, plant and equipment): These costs are recorded in property, plant and equipment and are amortized to income in the period in which the benefits are obtained.

k) Leased assets

Property, plant and equipment recorded under finance leasing contracts are recorded as other property, plant and equipment. These 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 based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

l) 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 year-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.

m) Investments in other companies

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

n) 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.

o) Income tax and deferred income taxes

Include taxes on first category taxable income and the specific mining activity tax according to D.L. No.824, and D.L. No.2,398 at a 40% tax rate.

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

p) Severance indemnities and other long-term benefits

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

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

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

q) Revenue recognition

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

r) Derivative contracts

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

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

- Hedging policies for exchange rates and interest rates.

The Company contracts exchange rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transaction are made in.

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

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

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

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

s) Computer software

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

In accordance with Circular No. 981 dated December 28, 1990 of the Superintendency of Securities and Insurance, computer systems acquired by the Company

are capitalized at acquisition cost plus all related costs and are amortized over a period not exceeding four years.

t) Research and development expenses

Research and development expenses are charged to income as incurred.

u) Statement of cash flows

Cash and cash equivalents include unrestricted cash and bank balances, time deposits and as short-term marketable securities maturing within 90 days, in accordance with Technical Bulletins issued by the Chilean 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.

v) Bonds

Bonds are presented at outstanding principal plus accrued interest at each year-end. The discount or premium on bond issuance is capitalized as deferred expenses, included in the item other in Other Assets or in the item other long-term liabilities in long-term liabilities, respectively and is amortized using the straight-line method over the term of the bonds.

w) Environmental exit costs

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

x) Law No. 13,196

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

y) Cost of sales

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

z) Bond issuance cost

Bond issuance cost is charged to the year's results, as is established in Circular No.1,370 dated January 30, 1998 issued by the Superintendency.

aa) 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 to income over the period in which the benefits are expected to be obtained.

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

ab) Operations with resale and repurchase agreement

Purchases of financial instruments with resale and repurchase agreements are recorded at cost plus interest and restatements at the year - end and are presented in current assets - other.

ac) Reclassifications

Certain 2004 figures have been reclassified for comparative purposes with 2005 figures.

NOTE 3. CHANGES IN ACCOUNTING PRINCIPLES

As of January 1, 2004, the Chilean Institute of Accountants issued the Technical Bulletin No.72 (Note 8) which must be applied for new investments in related companies from that date forward.

At December 31, 2005, there were no other changes in accounting policies and accounting criteria described in Note 2, with respect to the previous year.

NOTE 4. 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 under which business transacted with individuals related to the Corporation should be conducted. This has been monitored by the management since December 1, 1995 through Corporate Regulation N°18 and its related administrative procedure.

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 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.

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 regulations, 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.

Pursuant to this regulation, during the 2005 and 2004 Codelco-Chile's Board of Directors became aware of agreements with companies and individuals for the total amounts indicated below, which should be performed in the terms specified by each agreement (In ThUS\$):

Company name	Nature of the relationship	2005	2004
Bosch S.A	Executive' spouse	2,385	47
Alquimia S.A.	Executive' son	0	17
PSITEC Servicios Psicológicos Ltda.	Executive' daughter	0	9
Fabiola Ximena Álvarez Gómez	Executive' daughter	0	32
Cristian Aguilera Alcayata	Executive' son	11	0
Industrial Support Company Ltda.	Executive' participation	301	0
Ingenieros Insitu S.A.	Executive' daughter	792	0
Marticorena & Cía. July	Codelco employee	41	0
Giovanna Riveri Cerón	Employee' sister	33	0
Gestra S.A.	Executive' spouse	10	0
Comunicaciones Bitelco Ltda.	Relative of an employee	20	0
Ana Mejías Liberona	Employee' daughter	2	0
Manuel Araneda Catex	Relative of an executive	0	6
Mario Cabezas Leighton	Executive' son	0	48
Transbosch Ltda.	Executive' spouse	44	0

b) Directors' Remunerations

During 2005 and 2004, the members of the Board of Directors have received the following amounts as per diems, remunerations and fees (in ThUS\$):

b.1) Directors' per diems

Name	2005	2004
José Alfonso Dulanto Rencoret	17	14
Nicolás Eyzaguirre Guzmán	16	13
Patricio Meller Bock	44	34
Jorge Navarrete Martínez	44	34
Ricardo Ortega Perrier	43	35
Bismarck Robles Guzmán	44	28
René Valdenegro Oyaneder	44	28

b.2) Remunerations

Name	2005	2004
Bismarck Robles Guzmán	54	50
René Valdenegro Oyaneder	75	48

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

b.3) Fees

Name	2005	2004
Jorge Navarrete Martínez	64	57

c) Operations with Codelco investees

The former refer to the purchase and sale of products or services at market prices and the financial operations refer mainly to loans in current accounts which are subject to price level restatements and interest under the agreed upon contract conditions.

The main transactions with related companies are with investees and subsidiaries and correspond to purchases for goods and services for ThUS\$ 594,175 in 2005 (ThUS\$ 471,274 in 2004) and sales for goods and services in 2005 for ThUS\$ 345,410 (ThUS\$ 144,338 in 2004) all at market prices.

NOTE 5. INVENTORIES

At December 31, 2005 and 2004, inventories amounted to ThUS\$ 964,027 and ThUS\$ 729,665 respectively, comprising finished products, products in process and material in warehouse. Inventory values are net of obsolescence allowance for material in warehouse for ThUS\$ 46,387 and ThUS\$ 32,236 as of December 31, 2005 and 2004, respectively. At December 31, 2005, finished products are presented net of unrealized profits for ThUS\$ 10,596.

NOTE 6. DEFERRED TAXES AND INCOME TAXES

a) Deferred taxes

The deferred tax calculated in accordance with the policy described in Note 2 o) represents a net liability of ThUS\$ 901,501 at December 31, 2005, comprising assets for ThUS\$ 478,647 and liabilities for ThUS\$ 1,380,148. At December 31, 2004 deferred tax represents a net liability of ThUS\$ 1,033,524, comprising assets for ThUS\$ 350,385 and liabilities for ThUS\$ 1,383,909.

In 2005, the effect of deferred taxes was a credit to income of ThUS\$ 132,023, and in 2004 it was a credit of ThUS\$ 41,090.

b) Income taxes

At December 31, 2005 and 2004, the provisions for first category income tax and that required by D.L. N°2,398 amounted to ThUS\$ 2,427,650 and ThUS\$ 1,458,728, respectively and are shown in income taxes payable in current liabilities, netted against estimated monthly payments of taxes and other tax credits in 2005, and in taxes recoverable in current assets, netted against estimated monthly payments of taxes and other tax credits in 2004.

At December 31, 2004 there are other charges to the account for ThUS\$ 40,840.

c) Tax Law 20,026

On June 16, 2005, income tax law D.L. 824 was modified by Law 20,026, establishing a progressive tax rate on mining activity operating margins in Chile (5% for companies with sales over 50,000 metric tons of equivalent copper) and will be applied as of January 2006. In October 2005, the Chilean Internal Revenue Service issued a regulation regarding the law

To this effect, at December 31, 2005, ThUS\$21,363 has been recorded in deferred taxes, under specific tax on mining activities. This tax will apply over net sales of the Company's own production from January 1, 2006.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2005 and 2004 are detailed below (in ThUS\$):

a) Property, plant and equipment	2005	2004
Land and mining rights 51,309	26,655	
Buildings and infrastructure	6,933,652	6,144,169
Machinery and equipment	6,466,231	5,957,567
Other plant and equipment	95,139	54,302
Technical appraisal revaluation	368,901	370,926
Total gross property, plant and equipment	13,915,232	12,553,619
b) Accumulated depreciation and depreciation for the year	2005	2004
Buildings and infrastructure	(3,759,771)	(3,524,066)
Machinery and equipment	(3,887,455)	(3,640,934)
Other plant and equipment	(7,853)	(2,947)
Total accumulated depreciation	(7,655,079)	(7,167,947)
Depreciation and amortization for the year	591,975	534,177

c) Assets acquire through capital leases correspond to building and infrastructure, and are included in other property, plant and equipment. Contracts are expensed 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.

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

d) As a result of the acquisition of Fundición y Refinería Las Ventanas, from Empresa Nacional de Minería (ENAMI), property, plant and equipment increased as follows (in ThUS\$):

Item	2005	
Land	24,588	
Land improvements	28,574	
Buildings	49,056	
Work in progress	160	
Machinery and equipment	277,732	
Total	380,110	

e) The Company has already deducted ThUS\$ 46,791 from its assets for those mining sectors of Salvador Division that have to shut down, and has presented them in other non-operating expenses.

NOTE 8. INVESTMENTS IN RELATED COMPANIES

At December 31, 2005 and 2004, total investments in investees amount to ThUS\$ 771,381 and ThUS\$ 631,779, respectively. The net profits of these companies for 2005 and 2004 amounted to ThUS\$ 91,863 and ThUS\$ 83,786, respectively.

These investments are expressed net of unrealized gains for ThUS\$ 166,847 and ThUS\$ 207,068 in 2005 and 2004, respectively.

In general, Codelco’s 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) Principal investees of Codelco

Codelco Group Inc. (U.S.A.)

Codelco Group Inc. is a holding company which owns the operating companies Codelco (U.S.A.) Inc., Copper Technology Investment Inc. and Codelco Metals Inc.

Codelco (U.S.A.) Inc. is a sales agent for Codelco and manages sales contracts and settlements and coordinates product delivery for markets in the U.S.A., Canada and Mexico.

Codelco Metals Inc. carries out metal sale and purchase operations with Codelco and other companies, and covers the North American market.

Copper Technology Investment Inc., an investment company created for the development and promotion of the Semi Solid Metal Casting technology. This company has a 100% interest in the Semi Solid Metal Investors LLC.

Codelco K pferhandel GmbH (Germany)

Codelco K pferhandel GmbH operates in the copper wire business, through the conversion of refined copper at a plant in Emmerich, Germany, owned by Deutsche Giessdraht GmbH in which Codelco K pferhandel GmbH has a 40% interest.

Codelco K pferhandel Metall Agentur, a subsidiary of Codelco K pferhandel GmbH, is a sales agent for Codelco, manages sales contracts and settlements and coordinates product delivery principally to markets in Germany, Austria, Holland and Denmark.

Chile Copper Limited (United Kingdom)

Chile Copper Limited is a sales agent for Codelco and manages sales contracts and settlements and coordinates product delivery for markets in England, Finland, Norway and Sweden.

Codelco Services Limited, a subsidiary of Chile Copper Limited, carries out metal sale and purchase operations with Codelco and other companies, covering principally the European market.

Codelco International Limited (Bermudas)

Codelco International Limited was formed in July 2001 and is a wholly-owned subsidiary of Codelco. The Company’s business objective is the management and control of the interest of Codelco in several international projects. Through both this Company and its subsidiary, Codelco Technologies Limited, Codelco has entered into joint investments with BHP Billiton in Alliance Copper Limited for the use of modern technology in mining operations. In addition, Codelco made investments through Codelco International Limited in Quadrem International Holdings Limited, a global company comprised of 18 of the most significant global mining companies to operate in an electronic market in which companies may buy and sell goods and services.

Codelco International Limited and Codelco Technologies Limited formed Codelco Do Brasil Mineracao Limitada. The latter has formed Mineracao Vale do Curaca in 2005 whose objective is developing projects for exploration and exploitation, business and market development activities in Brazil.

Instituto de Innovaci n en Miner a y Metalurgia S.A.

Instituto de Innovaci n en Miner a y Metalurgia S.A. is a non-public limited liability company which performs activities in connection with research, development and technological innovation in the areas of mining and metallurgy.

Complejo Portuario Mejillones S.A.

Complejo Portuario Mejillones S.A., a non-public limited liability company, manages studies and development activities in connection with a port project in Mejillones, Region II of Chile.

Healthcare institutions

Isapre Chuquicamata Limitada, Isapre San Lorenzo Limitada and Isapre R o Blanco Limitada are civil limited liability companies whose objective is the providing of healthcare services and benefits to Codelco’s present and former employees.

Geot rmica del Norte S.A.

Geot rmica del Norte S.A. is a non-public limited liability company whose business objective is the exploration and exploitation of geothermal deposits located between the Regions I, II and III of Chile and the sale, of all products and by-products derived directly or indirectly from the conduct of the aforementioned activities.

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

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 contribute to the increase in the paid in capital of Agua de la Falda S.A. and, therefore, its ownership decreased from 49% to 43%.

Compañía Contractual Minera Los Andes

Compañía Contractual Minera Los Andes was formed in 1996 through contributions made by Codelco, AMP Chile Holding Ltda., and Australian Mutual Provident Society for the exploitation and development of Exploradora, Sierra Jardín, María Delia and Sierra Morena prospects located in Regions I, II and III of Chile.

The business through both Compañía Contractual Minera Los Andes and Inversiones Minera Los Andes S.A. did not produce the expected results and, therefore, Codelco and AMP Holdings Chile Ltda. opted to terminate their association.

As a result, the Company's Board of Directors extended powers to the Chief Executive Officer to carry out the steps required to reach an agreement with AMP Holdings Chile Ltda. as to the conditions for the termination of the aforementioned association, for which each partner would maintain control of the company most related with its specialty. Under these conditions, in 2001, Codelco assumed the majority control of Compañía Contractual Minera Los Andes S.A. in exchange for its participation in Inversiones Minera Los Andes S.A.

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.

Inversiones Tocopilla Ltda. and Electroandina S.A.

Inversiones Tocopilla Ltda. is a holding company in which Inversora Eléctrica Andina S.A. (a consortium of Powerfin S.A. of Belgium, Iberdrola S.A. of Spain and Enagas S.A. of Chile) has a 51% interest and Codelco 49%.

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

Sociedad Contractual Minera El Abra

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

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

a) A long-term trading agreement with Codelco Services Ltd. for part 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.

Biosigma S.A.

Biosigma S.A. is a non-public limited liability company formed on May 31, 2002 by Codelco and Nippon Mining & Metals Co. Ltd. with shareholdings of 66.67% and 33.33%, respectively.

Biosigma S.A.'s business objective is the commercial development of process and technology for mining purposes.

Inversiones Mejillones S.A.

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

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

Fundición Talleres S.A.

Fundicion Tallers S.A. is a private company formed on October 1, 2003 by Codelco and Elaboradora de Cobre Chilena Ltda. On October 23, 2003 Fundición Talleres S.A. acquired from Talleres Division of Codelco, machinery and other operational assets at a book value of ThUS\$8,066,432 (ThUS\$12,560). On January 23, 2004 Codelco sold 60% of its ownership to Compañía Electro Metalúrgica S.A., generating a loss of ThUS\$2,744, which was charged to 2004 results.

Its purpose is production of steel parts and fittings.

Sociedad Contractual Minera Purén

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

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

Clínica Río Blanco S.A.

Clínica Río Blanco S.A. is a non-public company formed on September 30, 2004 by Codelco and Isapre Río Blanco Limitada with shareholdings of 99.9% and 0.1%, respectively.

Clínica Río Blanco S.A.'s business objective is to provide medical care to the employees.

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Exploraciones Mineras Andinas S.A.

Exploraciones Mineras Andinas S.A. is a non-public company formed on July 29, 2004 and is a wholly owned subsidiary of Codelco.

Exploraciones Mineras Andinas S.A.'s business objective is to provide planning, managing and performing mining services and hydric resources.

CMS Chile S.A. and CMS Tecnología S.A.

CMS Chile S.A. and CMS Tecnología S.A. are non-public companies whose purpose is to manufacture, market and distribute mining, equipment and spares and to provide maintenance and repair service for the same equipment.

On October 4, 2005 the Company sold to ABB Chile S.A. 70% of CMS Tecnología S.A. shares for ThUS\$2,898, gaining a ThUS\$757, profit.

b) Contributions to related companies

During 2005 and 2005 Codelco-Chile made capital contributions to investees, in cash or by capitalizing accounts receivable, for ThUS\$7,203 and ThUS\$14,153, respectively, as follows (in ThUS\$):

Name	2005	2004
Codelco International Limited	0	2,485
Codelco Group USA Inc.	250	0
Minera Pecobre S.A. de C.V.	2,548	2,548
Biosigma S.A.	4,405	0
Fundición Talleres S.A.	0	2,327
Soc. Contractual Minera Purén	0	918
Complejo Portuario Mejillones S.A.	0	542
CMS Tecnología S.A.	0	5,333

These capital contributions were recorded in accordance with Technical Bulletin No.72 issued by the Chilean Institute of Accountants.

c) Unrealized gains

The Company has recorded unrealized gains on contributions from mining properties, fixed assets and ownership rights. The most significant transactions are detailed below:

Sociedad Contractual Minera El Abra

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. the recognition of income is in relation to the depletion of Sociedad Contractual Minera El Abra. At December 31, 2005 gains for ThUS\$20,566 (2004: ThUS\$20,104) were recognized.

Electroandina S.A.

There is an unrealized gain on the contribution of fixed assets in 1996. The gain will be recognized over ten years through 2006. At December 31, 2005, a gain of ThUS\$18,159 (ThUS\$18,159 in 2004) was recognized.

Inversiones Tocopilla Ltda.

There is an unrealized gain on the initial contribution of ownership rights in 1996. The gain will be recognized over ten years through 2006. At December 31, 2005, a gain of ThUS\$6,532 (ThUS\$6,532 in 2004) was recognized.

Codelco Group USA Inc.

Unrealized gain from 2005, which is the margin from sales of products that at year-end have balances in the subsidiary. The gain will be recognized during 2006, as the inventories which generated this gain are sold. At December 31, 2005 unrealized gains of ThUS\$35,996 were provided for, of which ThUS\$1,564 are presented deducting the investment and ThUS\$34,432 are presented in long-term provisions in long-term liabilities.

Codelco Kupferhandel GMBH

Unrealized gain from 2005, which is the margin from sales of copper that at year-end have balances in the subsidiary. The gain will be recognized during 2006, as the inventories which generated this gain are sold. At December 31, 2005 unrealized gains of ThUS\$4,413 were provided for and are presented deducting the investment.

NOTE 9. GOODWILL

The Law N°19,993 dated December 17, 2004 authorized 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 ThUS\$389,226 plus VAT for ThUS\$2,501 on taxed fixed assets. Such transaction mainly consisted in the acquisition of the assets of the industrial complex and certain liabilities related to the industrial complex's employee benefits.

The following is a summary of the operation:

- a) Property, plant and equipment ThUS\$380,110,
- b) Materials in warehouse ThUS\$4,020,
- c) VAT (property, plant and equipment) ThUS\$2,501,
- d) Personnel current accounts ThUS\$10,161,
- e) Recognition of severance indemnity provision ThUS\$29,427,
- f) Recognition of vacation provision ThUS\$2,076.

At December 31, 2005, the goodwill resulting of this transaction, to be amortized in 20 years, in accordance with the estimated life of the investment, was ThUS\$25,628. Amortization for 2005 amounted to ThUS\$810.

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

NOTE 10. OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS - CURRENT

Current obligations with banks and financial institutions amount to ThUS\$40,000 and ThUS\$43,600 in 2005 and 2004, respectively, are denominated in US dollars and pay no interest.

Long - term bank obligations due within one year amount to ThUS\$306,381 in 2005 and ThUS\$2,099 in 2004, they are in US dollars at an average annual interest rate of 4.59% in 2005 and 2.71% in 2004.

NOTE 11. OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS - LONG TERM

At December 31, 2005 and 2004, these obligations amount to ThUS\$600,000 and ThUS\$900,000, respectively, and are denominated in US dollars at an interest rate based on Libor. The average annual interest rate was 4.46% in 2005 and 2.71% in 2004. At December 31, 2005 these obligations mature as follows: ThUS\$300,000 in 2008 and ThUS\$300,000 in 2009.

NOTE 12. CURRENT AND LONG-TERM BONDS

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 mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year's accrued interest was ThUS\$3,728 and ThUS\$3,788, respectively.

On November 18, 2002, the Company issued and placed bonds in the Chilean market, under Superintendency of Securities and Insurance regulations. These bonds were issued for a nominal amount of UF7,000,000, (equivalent to ThUS\$245,510 and ThUS\$216,529 at December 31, 2005 and 2004, respectively) in a single denominated A Series, and are represented by 70,000 certificates for UF100 each. These bonds mature in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year's accrued interest was ThUS\$3,277 and ThUS\$2,890, respectively.

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 interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year's accrued interest was ThUS\$2,451 and ThUS\$2,438, respectively.

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 interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year's accrued interest was ThUS\$5,893 and ThUS\$5,817, respectively.

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 interest paid semi-annually. At December 31, 2005 and 2004, the current liability for each year's accrued interest was ThUS\$5,089 and ThUS\$4,831, respectively.

On May 10, 2005, the Company issued and placed bonds in the local market for a nominal amount of UF6,900,000, (equivalent at December 31, 2005 to ThUS\$242,002) in a single denominated B Series, and are 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. At December 31, 2005, the current liability for accrued interest is ThUS\$2,420.

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 interest paid semi-annually. At December 31, 2005, the current liability for accrued interest was ThUS\$7,882.

NOTE 13. ACCRUALS

At December 31, 2005 and 2004, long-term accruals amount to ThUS\$1,028,283 and ThUS\$795,911, respectively. These accruals cover the Company's long-term commitments, arising from exit plans, contingencies, severance indemnities and others related to personnel benefits in union contracts.

The changes in the long-term accruals for severance indemnities are summarized below (in thousands of US dollars):

Movements	Long-term liabilities	
	2005	2004
Balance as of January 1	600,190	453,363
Provision for the year (including effects for variations in exchange rates)	159,496	166,105
Transfers to current liability	(63,653)	(19,278)
Total	696,033	600,190

NOTE 14. CHANGES IN EQUITY

a) The Company was formed by D.L. No. 1,350 dated 1976, which establishes that all net income earned by the Company goes to the benefit of the Chilean Government after deducting amounts that, by a charge to net earnings for each year, must be maintained in Other Reserves as established in Article 6 of D.L. No.1,350, and have to be included in the proposal made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

The composition of Other Reserves as of December 31, 2005 is as follows (in thousands of US dollars):

Detail	Year	Accumulated
Capitalization of net income (exempt decree ministry of mining and treasury department)	9,047	627,228
Cumulative translation adjustment - subsidiaries	3,775	38,495
Reserves for housing programs	0	35,100
Technical appraisal revaluation D.L. No. 3,648	0	624,567
Balance of other reserves as of December 31, 2005	12,822	1,325,390

b) At December 31, 2005, the Company recognized a surplus in favor of the Chilean Treasury for ThUS\$1,688,388, charged to 2005 income, which reduces equity. At December 31, 2005, dividends to be paid to the Chilean Treasury are presented in current liabilities, in the dividends payable item.

Changes in equity during 2005 and 2004 are detailed below (in thousands of US dollars):

	2005				2004			
Movements	Paid-in capital	Other reserves	Profit distributions	Net income for the year	Paid-in capital	Other reserves	Profit distributions	Net income for the year
Beginning balance - January 1	1,524,423	1,312,568	(1,099,217)	1,134,173	1,524,423	1,302,491	(94,725)	89,230
Transfer to reserves and profit distributions	0	0	1,099,217	(1,099,217)	0	0	80,100	(80,100)
Profit distributions against prior year results	0	0	0	(25,909)	0	0	0	0
Capitalization of reserves and/or other income	0	9,047	0	(9,047)	0	9,130	0	(9,130)
Net changes in equity in subsidiaries and investees of the company	0	3,775	0	0	0	947	0	0
Net income for the year	0	0	0	1,779,609	0	0	0	1,134,173
Provisional profit distributions to Chilean Treasury	0	0	(1,688,388)	0	0	0	(1,084,592)	0
Totales	1,524,423	1,325,390	(1,688,388)	1,779,609	1,524,423	1,312,568	(1,099,217)	1,134,173

NOTE 15. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses at December 31, 2005 and 2004 are detailed below (in thousands of US dollars):

a) Other non-operating income

	2005	2004
Miscellaneous sales	9,588	4,712
Service sales	16,199	10,398
Realized gains on contributions to companies	45,257	44,795
Gains on sale of property, plant and equipment	0	76,649
Other	44,328	64,139
Total	115,372	200,693

b) Other non-operating expenses

	2005	2004
Adjustments to severance indemnity	19,198	100,569
Contingencies accrued	0	12,823
Write-off of property, plant and equipment	5,072	23,544
Closure costs	69,500	12,868
Pre-investment expenses	89,348	40,119
Health plans	90,958	25,075
Stamp tax	11,687	12,866
Retirement plans	68,625	13,524
Export tax (Law No.13,196)	825,702	598,196
Other	120,549	71,983
Total	1,300,639	911,567

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

NOTE 16. EXCHANGE RATE DIFFERENCES

Assets and liabilities, traded in currencies other than US dollars, have been converted at the year-end exchange rate, resulting in a net credit to income of ThUS\$107,898 and ThUS\$59,793 in 2005 and 2004, respectively.

NOTE 17. DERIVATIVE CONTRACTS

The Company holds contracts for pricing operations. These contracts amount to 784 thousand metric tons of fine copper (ThMTF), 382 ThMTF for sales contracts and 402 ThMTF for production contracts, out of which, at year-end, 653 ThMTF are protected (251 ThMTF for sales contracts and 402 ThMTF for production contracts) and mature from July 2007 to March 2012 with a negative exposure of ThUS\$ 225,705. Additionally, at December 31, 2005, the Company holds contracts for gold pricing operations for 4 ThMTF, with a positive exposure of ThUS\$ 32.

At December 31, 2004, the Company has interest rate hedge contracts for ThUS\$ 373,001, which mature in August 2012 and April 2025. At December 31, 2005 these contracts shows a positive exposure of ThUS\$ 19,969.

Also, at December 31, 2005, the Company has contracts in place to fix the interest rate fluctuations of bank loans for ThUS\$ 300,000, with a positive exposure of ThUS\$ 5,889. Deferred payments under these contracts amounted to ThUS\$ 26,572 in 2005 and ThUS\$ 36,710 in 2004, which are classified in the item Other under Other Assets and amortized during the outstanding periods of each obligation, between January 2006 and September 2008.

NOTE 18. CONTINGENCIES AND COMMITMENTS

Codelco is involved in various pending legal actions initiated by, or against, the Company which result from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. In addition, with respect to all such lawsuits, the Company defends its rights and uses all legal and proceeding resources available.

Other commitments

a) In July the Board of Directors of the Company was informed of the Salvador mineral situation; and hence management initiated activities in order to close the oxide line by 2008 at the latest and the sulphides line by 2011 at the latest.

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.

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 associated with the activities being closed.

b) On May 31, 2005, Codelco signed an agreement with Minmetals to create a company, in which both companies will participate equally. Also, they agreed on the terms of a 15-year sales agreement regarding cathodes for that joint venture and a purchase agreement with Minmetals for the same term and monthly shipments until completing 823,250 metric tons. Codelco will receive an advance of US\$550 million as a payment from the joint venture. 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.

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

On the other hand, 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 to go forward with said initiative.

During the first quarter of 2006, based on agreed financial conditions, the financing contracts with the China Development Bank must be formalized, allowing the joint company to make the US\$ 550 million payment.

At the date of the December 31, 2005 financial statements, the contract is still not in operation.

Nonetheless, on December 20, 2005, the Board of Directors decided to contract price hedging transactions for the equivalent of 27,850 tons in relation to this contract.

c) 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 products of the small and medium size mining industry that ENAMI serves, upon terms agreed to by both parties.

d) The Corporation, following its cost-reduction programs through the use of modern technologies, has established personnel early severance programs, with benefits that encourage retirement, which obligation is recognized as a provision when the employee commits to his/her retirement.

e) Codelco through its subsidiary Codelco Technologies and Billiton Jersey Limited participate 50% each in Alliance Copper Limited Agencia en Chile to develop a feasibility study for the design, construction, set up and operation of a prototype innovative technology plant in the Chuquicamata district, for the purpose of industrial scale testing of biolixiviation of complex copper concentrates. In August 2005, an agreement was reached with Billiton Jersey Limited, which establishes an extension of the innovation and technology testing period, and includes an option for the purchase of the shares of Alliance Copper Limited agency in Chile, from Billiton Jersey Limited.

Additional information

There are no restrictions or covenants associated with the Company's financial or public obligations.

The Company has obligations for ThUS\$ 3,675 (2004: ThUS\$ 37,525) with the Chilean Treasury, under Law N°18,634 corresponding to deferred custom duties. The Company has also given notes in guarantee for ThUS\$ 41,442 in 2005 (2004: ThUS\$ 40,992).

Codelco is guarantor of outstanding debt which its subsidiary, Complejo Portuario Mejillones S.A., owed to Empresa Portuaria Mejillones S.A. for an amount of ThUS\$ 87,903 in 2005 (2004: ThUS\$ 90,911).

NOTE 19. SURETIES 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 in its operating Divisions, which amount to ThUS\$ 254,989 in 2005 and ThUS\$ 179,386 in 2004.

NOTE 20. ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCY

At December 31, 2005, the Company has assets traded in local currency for ThUS\$ 322,688 (2004: ThUS\$ 275,797) and liabilities for ThUS\$ 1,412,624 (2004: ThUS\$ 1,256,721).

Simplified notes to the financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

NOTE 21. SANCTIONS

Codelco-Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency or other administrative authorities.

NOTE 22. ENVIRONMENT

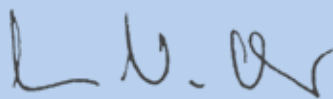
The practice of exploration and recognition of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company has defined its environmental commitments, which are controlled through an environmental management system for explorations 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 exploration of mineral resources both in Chile and abroad.

At December 31, 2005, Codelco Norte, formed by former Chuquicamata and Radomiro Tomic Divisions, Andina, El Salvador and Teniente Divisions, and the head office received ISO 14001 certification.

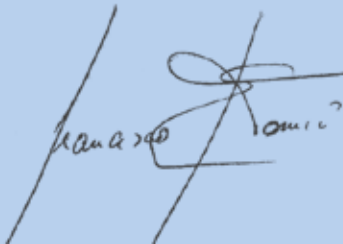
In accordance with this policy, at December 31, 2005 the Company has made investments, related to environment issues, which amount to ThUS\$30,883 (2004: ThUS\$29,371).

NOTE 23. SUBSEQUENT EVENTS

The Company's management has no knowledge of any significant events of a financial nature or any other nature, occurring between December 31, 2005 and the date of issuance of these financial statements (February 10, 2006) which might affect them.



Juan Villarzú Rohde
President and Chief
Executive Officer



Francisco Tomic Errázuriz
Senior Vice-President
Human Development and Finance



Fernando Moure Rojas
Senior Vice-President
for Shared Services



Mario Allende Gallardo
Chief Accountant

Analysis of individual financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

The following section is intended to analyze and explain the main variations in the Individual Financial Statements of Corporación Nacional del Cobre de Chile (CODELCO) between the years ended December 31, 2005 and 2004, respectively. Below, we summarize the information contained in these financial statements.

All amounts expressed in thousands of United States dollars.

Summary of the Company's Financial Ratios

Balance Sheet	31.12.2005	31.12.2004	Variation
Liquidity	Ratio	Ratio	%
Current Assets/Current Liabilities	1.29	1.96	-34%
(Current Assets-Inventories-Prepaid Expenses)/Current Liabilities	0.83	1.23	-32%
Indebtedness	Ratio	Ratio	
Total Debt (L)/Equity Times	2.61	2.04	28%
Current Liabilities/Total Debt (L)	0.28	0.17	60%
Long-Term Liabilities/Total Debt (L)	0.72	0.83	-13%
	ThUS\$	ThUS\$	
Liabilities (L)	7,663,059	5,849,748	31%
Income for the year plus income tax and Law No. No. 13,196	4,900,938	3,300,027	49%
Activity	Ratio	Ratio	
Accounts receivable turnover	8.80	11.82	-25%
Collection recovery (360 days)	41	30	34%
Inventory turnover times	4.47	5.37	-17%
Inventory permanence (360 days)	81	67	20%
Profitability (Income after taxes)	Ratio	Ratio	
% of Assets	16.78	13.00	29%
% of Equity	60.51	39.49	53%
% of operating asset performance (2)	18.10	14.02	29%

Analysis of individual financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Results	31.12.2005 ThUS\$	31.12.2004 ThUS\$	VARIACIÓN
Net sales	9,994,870	7,632,464	31%
Cost of sales	(4,309,322)	(3,916,805)	10%
Net operating income	5,444,426	3,518,770	55%
Net non-operating loss	(1,369,190)	(816,939)	68%
Interest expense	(188,522)	(141,795)	33%
Depreciation for the year	(456,540)	(419,401)	9%
Amortization of intangible assets	(166,720)	(129,529)	29%
EBIT	4,075,236	2,701,831	51%
Law No. 13.196	(825,702)	(598,196)	38%
Income taxes	(2,295,627)	(1,567,658)	46%
EBITDAie (1)	4,887,018	3,392,556	44%
Net income for the year	1,779,609	1,134,173	57%
Equity	31.12.2005 ThUS\$	31.12.2004 ThUS\$	
Equity	2,941,034	2,871,947	2%
Net property, plant and equipment	6,260,153	5,385,672	16%
Total Assets	10,604,093	8,721,695	22%
Net income/(loss) per share in US\$	Not applicable	Not applicable	
	31.12.2005 MTF	31.12.2004 MTF	
Physical sales volume (own copper and third party copper)	2,022,015	2,233,389	-9%

(1) EBITDAie: Equity before taxes, interest, depreciation, amortization and extraordinary items.

(2) Total assets less investments in other companies and in related companies are considered to be operating assets.

Analysis of individual financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Analysis of differences between book and economic value

Due to the nationalization process, the Company’s deposits, are recognized in accounting at US\$1 each. Consequently, the economic value of these deposits differs from their book value.

This results in understatement in equity for accounting purposes and assets compared to their economic value.

Analysis of market variations

As of December 31, 2005, markets in which the Company commercializes its products have shown no significant changes. However, note that the sustained increase in the price of copper in the international markets.

Analysis of the Balance Sheet

As of December 31, 2005, the current liquidity ratio had a decrease compared to the same period of prior year when compared to the figure as at December 2004, due to a lower proportional increase in current assets (increase in trade accounts receivable, notes receivable from related companies, inventories) compared to current liabilities (increase in debt due to banks and financial institutions, accounts payable, dividends payable, accrued expenses and income tax).

As of December 31, 2005, current assets amounted to ThUS\$ 2,794,222 (ThUS\$ 1,979,032 as of December 2004) mainly composed of inventories (net) for a sum of ThUS\$ 964,027 (35.39%), trade accounts receivable for a sum of ThUS\$ 1,135,777 (41.69%), time deposits for ThUS\$ 167,954 (6.17%) and the difference is composed of other current asset accounts.

As of December 31, 2005, net property, plant and equipment amounted to ThUS\$ 6,260,153 (ThUS\$5,385,672 as of December 2004) mainly composed of buildings and infrastructure for a sum of ThUS\$ 6,933,652, machinery and equipment for a sum of ThUS\$ 6,466,231, accumulated depreciation for a sum of ThUS\$ (7,655,079), other accounts in this item explain the difference.

Total property, plant and equipment increased by ThUS\$ 1,361,613 during 2005. The increase mainly relates to buildings and infrastructure and machinery and equipment acquisition of Las Ventanas Refinery and Foundry. Depreciation and amortization for the year amounted to ThUS\$623,260.

As of December 31, 2005, current liabilities amount to ThUS\$ 2,119,053 (ThUS\$ 1,010,596 as at December 2004) and is composed of debt due to banks and financial institutions for a sum of ThUS\$ 346,381 (16.35%), accounts payable for a sum of ThUS\$512,406 (24.18%), dividends payable for a sum of ThUS\$ 407,000 (19.21%), accrued expenses for an amount of ThUS\$ 379,756 (17.92%) plus other miscellaneous liabilities.

As of December 31, 2005, long-term liabilities amounted to ThUS\$ 5,544,006 (ThUS\$ 4,839,152 as at December 2004), mainly composed of debt due to banks and financial institutions and bonds payable for a sum of ThUS\$ 3,322,512 (59.93%), deferred income taxes for a sum of ThUS\$ 1,009,721 (18.21%) and miscellaneous accruals for a sum of ThUS\$ 1,028,283 (18.55%).

These amounts determine ratios and indicators shown in the previous pages.

As of December 31, 2005, equity amounts to ThUS\$ 2,941,034 (ThUS\$ 2,871,947 as at December2004).

As of December 31, 2005, the Company’s total debt amounted to ThUS\$ 7,663,059 (ThUS\$ 5,849,748 as at December 2004), this gives rise to higher indebtedness ratio for 2005 of 2.65 times (2.04 times as at December 2004).

Analysis of the Statement of Income

Operating income for 2005 amounted to ThUS\$ 5,444,426, which is higher to that recorded in 2004 of ThUS\$ 3,518,770. Net sales amounted to ThUS\$ 9,994,870, which is higher by ThUS\$ 2,362,406 compared to that obtained in 2004 mainly due to better price.

The sales price of the Company’s mix (own copper and third party copper) for 2005 amounted to US\$ 1.637 per pound (US\$ 1.296 per pound for 2004).

Analysis of individual financial statements

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Highlights for 2005 were as follows:

Net sales totaled ThUS\$ 9,994,870, of which ThUS\$ 6,452,650, equivalent to 64.56%, relate to the sale of own copper, ThUS\$ 849,967, equivalent to 8.50% to sale of copper acquired from third parties, ThUS\$ 2,311,359, equivalent to 23.13% for sale of molybdenum and the difference relates to by-products.

Sales of own copper and third party copper in 2005 amounted to 2,022,015 MTF (2,233,389 MTF in 2004).

As of December 31, 2005, cost of sales totaled ThUS\$ 4,309,322, of which ThUS\$ 2,959,483, equivalent to 68.68%, relate to own copper, ThUS\$ 827,568, equivalent to 19.20% to copper acquired from third parties, ThUS\$ 205,544, equivalent to 4.77% to molybdenum and the difference to by-products.

Non-operating results generated net expense of ThUS\$ 1,369,190 (ThUS\$ 816,939 as at December 2004). Other non-operating expenses amounting to ThUS\$ 1,300,639, include a sum of ThUS\$ 825,702 (63.48%) relate to the tax in accordance with Law No. 13,196 of 10% on returns from exports of own copper and by-products.

The Company's surplus for the year 2005 (earnings before income tax, extraordinary items and Law No. 13,196 tax) amounted to ThUS\$ 4,900,938, which is higher than the amount of ThUS\$ 3,300,027 for the year 2004, mainly due to greater operating income of ThUS\$ 1,925,656.

As a result, income before income taxes and extraordinary items amounted to ThUS\$ 4,075,236 and net income amounted to ThUS\$1,779,609.

Analysis of the Statement of Cash Flows

For 2005, the Company obtained a net positive flow from operating activities of ThUS\$ 2,388,936, higher by ThUS\$413,983 compared to the prior year due to an increase in net sales.

On the other hand, financing activities for 2005 generated a negative flow of ThUS\$ 674,110, lower than the negative flow of ThUS\$949,683 generated in the prior year, which is mainly explained by the increase in debt due to banks and financial institutions and bonds payable and lower amortization of loans during the year.

Finally, as at December 2005, investing activities generated a net negative flow of ThUS\$ 1,777,778, which is higher than the negative flow of ThUS\$ 826,363 obtained as at December 2004. This increase is mainly explained by the acquisition of the Las Ventanas Refinery and Foundry in May 2005.

In consideration of these flows, plus the opening cash balances, the Company obtained an ending balance of cash and cash equivalents of ThUS\$ 178,646 for 2005, which is lower than the amount of ThUS\$ 241,598 obtained as at December 2004.

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 divisional statements of income of Corporación Nacional del Cobre de Chile for the years ended December 31, 2005 and 2004. The divisional statements of income are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on the divisional statements of income based on our audits. The divisional statements of income are derived from the Corporation's consolidated financial statements for the years ended December 31, 2005 and 2004 and the statement of allocation of controlled income and expenses of Corporación Nacional del Cobre de Chile's Head office and Subsidiaries for the year ended December 31, 2005, on which, based on our audits and the reports of the other auditors, who audited certain affiliates and subsidiaries, we have expressed an unqualified opinion under the same date of this report and the statement of allocation of controlled income and expenses of Corporación Nacional del Cobre de Chile's Head office and Subsidiaries for the year ended December 31, 2004, on which, based on our audit and the reports of the other auditors, who audited certain affiliates and subsidiaries, we expressed an unqualified opinion on February 4, 2005.

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 divisional statements of income are free of material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the divisional statements of income. An audit also includes assessing the accounting principles used and

the significant estimates made by the Corporation, as well as evaluating the overall presentation of the divisional statements of income. We believe that our audits provides a reasonable basis for our opinion.

The accompanying divisional statements of income have been prepared in compliance with the Corporation's statutes, in conformity with accounting principles generally accepted in Chile and the bases described in Notes 1 and 2 thereto.

In our opinion, based on our audits and the reports of other auditors, such divisional statements of income present fairly, in all material respects, the results of operations of Corporación Nacional del Cobre de Chile's Divisions for the years ended December 31, 2005 and 2004, in conformity with accounting principles generally accepted in Chile and the bases described in Notes 1 and 2 thereto.

Our audits were conducted for the purpose of expressing an opinion on divisional statements of income for 2005 and 2004. The accompanying divisional consolidated income statements for 2005 and 2004 are presented for the purposes of additional analysis. This additional information has been subjected to the auditing procedures applied in our audit of the divisional statements of income and, in our opinion, is fairly stated, in all material respects, in relation to the divisional statements of income taken as a whole.

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

Mario Muñoz V.

February 10, 2006

Divisional statements of income - Codelco Norte Division*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
OPERATING INCOME	3,584,084	2,367,185
Sales of own products	5,006,169	3,937,067
Sales of copper purchased from third parties	663,060	628,765
Sales of products from other Divisions and by - products	497,480	637,271
Income from transfers	42,128	160,738
Total Sales	6,208,837	5,363,841
Cost of own products	(1,532,613)	(1,686,009)
Cost of copper purchased from third parties	(649,138)	(631,584)
Cost of sales of products from other Divisions and by-products	(271,634)	(368,873)
Cost of sales from transfers	(35,015)	(197,534)
Total costs of sales	(2,488,400)	(2,884,000)
GROSS PROFIT	3,720,437	2,479,841
Administrative and selling expenses	(136,353)	(112,656)
NON-OPERATING EXPENSES	(728,434)	(524,517)
Interest income	12,644	6,030
Equity in income of related companies	66,007	64,743
Other income	63,023	49,748
Equity in losses of related companies	(6,276)	(11,677)
Interest expenses	(100,999)	(72,383)
Other expenses	(697,490)	(528,333)
Price-level restatement	(144)	(182)
Foreign exchange differences	(65,199)	(32,463)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	2,855,650	1,842,668
Income taxes	(1,609,938)	(1,069,818)
INCOME BEFORE MINORITY INTEREST	1,245,712	772,850
MINORITY INTEREST	2,242	299
NET INCOME FOR THE YEAR	1,247,954	773,149

The accompanying notes 1 and 2 are an integral part of these statements.

Divisional statements of income - Salvador Division*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
OPERATING INCOME	134,793	66,070
Sales of own products	628,658	433,136
Sales of copper purchased from third parties	48,412	64,989
Sales of products from other Divisions and by - products	142,416	251,357
Income from transfers	26,712	15,786
Total sales	846,198	765,268
Cost of own products	(503,252)	(361,746)
Cost of copper purchased from third parties	(48,314)	(65,571)
Cost of sales of products from other Divisions and by-products	(64,312)	(132,906)
Cost of sales from transfers	(64,131)	(112,988)
Total costs of sales	(680,009)	(673,211)
GROSS PROFIT	166,189	92,057
Administrative and selling expenses	(31,396)	(25,987)
NON-OPERATING EXPENSES	(178,818)	(74,520)
Interest income	2,572	1,814
Equity in income of related companies	9,240	9,375
Other income	14,242	14,847
Equity in losses of related companies	(859)	(1,658)
Interest expenses	(24,367)	(21,260)
Other expenses	(168,108)	(72,788)
Price-level restatement	(20)	(26)
Foreign exchange differences	(11,518)	(4,824)
LOSS BEFORE INCOME TAXES AND MINORITY INTEREST	(44,025)	(8,450)
Income taxes	24,945	4,996
LOSS BEFORE MINORITY INTEREST	(19,080)	(3,454)
MINORITY INTEREST	307	42
NET LOSS FOR THE YEAR	(18,773)	(3,412)

The accompanying notes 1 and 2 are an integral part of these statements,

Divisional statements of income - Andina Division*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
OPERATING INCOME	634,347	409,663
Sales of own products	959,237	720,439
Sales of copper purchased from third parties	73,550	162,799
Sales of products from other Divisions and by - products	98,486	100,326
Income from transfers	3,060	16,601
Total sales	1,134,333	1,000,165
Cost of own products	(325,402)	(285,443)
Cost of copper purchased from third parties	(72,047)	(162,416)
Cost of sales of products from other Divisions and by-products	(53,435)	(43,725)
Cost of sales from transfers	(18,392)	(75,014)
Total costs of sales	(469,276)	(566,598)
GROSS PROFIT	665,057	433,567
Administrative and selling expenses	(30,710)	(23,904)
NON-OPERATING EXPENSES	(133,857)	(99,911)
Interest income	1,480	1,659
Equity in income of related companies	12,361	13,302
Other income	9,099	20,123
Equity in losses of related companies	(1,247)	(3,222)
Interest expenses	(16,864)	(16,006)
Other expenses	(131,394)	(110,018)
Price-level restatement	(27)	(34)
Foreign exchange differences	(7,265)	(5,715)
INCOME BEFORE INCOME TAXES AND MINORITY	500,490	309,752
Income taxes	(282,226)	(179,667)
INCOME BEFORE MINORITY INTEREST	218,264	130,085
MINORITY INTEREST	414	55
NET INCOME FOR THE YEAR	218,678	130,140

The accompanying notes 1 and 2 are an integral part of these statements,

Divisional statements of income - El Teniente Division*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	2004
OPERATING INCOME	1,054,519	669,728
Sales of own products	1,717,282	998,679
Sales of copper purchased from third parties	199,466	133,112
Sales of products from other Divisions and by - products	182,082	130,566
Income from transfers	51,199	345,778
Total sales	2,150,029	1,608,135
Cost of own products	(725,795)	(554,319)
Cost of copper purchased from third parties	(200,684)	(127,621)
Cost of sales of products from other Divisions and by-products	(101,057)	(58,829)
Cost of sales from transfers	(5,561)	(153,367)
Total costs of sales	(1,033,097)	(894,136)
GROSS PROFIT	1,116,932	713,999
Administrative and selling expenses	(62,413)	(44,271)
NON-OPERATING EXPENSES	(306,502)	(110,173)
Interest income	5,378	3,603
Equity in income of related companies	22,424	19,852
Other income	34,391	121,799
Equity in losses of related companies	(2,132)	(3,582)
Interest expenses	(45,653)	(33,079)
Other expenses	(300,360)	(202,111)
Price-level restatement	(49)	(56)
Foreign exchange differences	(20,501)	(16,599)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	748,017	559,555
Income taxes	(421,827)	(324,997)
INCOME BEFORE MINORITY INTEREST	326,190	234,558
MINORITY INTEREST	762	91
NET INCOME FOR THE YEAR	326,952	234,649

The accompanying notes 1 and 2 are an integral part of these statements,

Divisional statement of income - Ventanas Division*At December 31, 2005 and 2004, in thousands of dollars = ThUS\$*

	2005	
OPERATING INCOME	19,965	
Sales of copper purchased from third parties	140,702	
Sales of by - products	133,573	
Total sales	274,275	
Cost of by-products	(120,712)	
Cost of copper purchased from third parties	(132,691)	
Total costs of sales	(253,403)	
GROSS PROFIT	20,872	
Administrative and selling expenses	(907)	
NON-OPERATING INCOME EXPENSES	(8,882)	
Interest income	287	
Other income	636	
Amortization of goodwill	(810)	
Interest expenses	(1,325)	
Other expenses	(4,243)	
Foreign exchange differences	(3,427)	
INCOME BEFORE INCOME TAXES	11,083	
Income taxes	(6,285)	
NET INCOME FOR THE YEAR	4,798	

The accompanying notes 1 and 2 are an integral part of this statement,

Divisional statement of income - Talleres Division

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

	2004
OPERATING LOSS	(1,033)
Sales of by - products	5,155
Total sales	5,155
Cost of by-products	(5,514)
Total costs of sales	(5,514)
GROSS PROFIT	(359)
Administrative and selling expenses	(674)
NON-OPERATING INCOME	191
Other income	315
Interest expenses	(37)
Other expenses	(55)
Foreign exchange differences	(32)
LOSS BEFORE INCOME TAXES	(842)
Income taxes	489
NET LOSS FOR THE YEAR	(353)

The accompanying notes 1 and 2 are an integral part of this statement,



Basis of preparation of the divisional statements of income

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

On May 1, 2005, the Ventanas Division was incorporated following the acquisition of Las Ventanas Foundry and Refinery from Enami, as authorized by Law Nº 19,993.

On May 31, 2004, Codelco put an end to the operations of the Talleres Division that was involved in heavy metal works and mechanical repairs.

The divisional statements of income are prepared in compliance with the Corporation's statutes, in conformity with generally accepted accounting principles in Chile and the following bases:

NOTE 1, INTERDIVISIONAL TRANSFERS

Interdivisional transfers of products and services were made and recorded at the prices agreed to, which are similar to market values, Therefore, the following concepts are included in these divisional statements of income:

- Sales to third parties of products received from other Divisions and the divisional income from transfers to other Divisions are presented in separate lines.
- In accordance with the above, costs of products received from other Divisions and sold to third parties and costs applicable to divisional income from transfers to other Divisions are also presented in separate lines.

NOTE 2, ALLOCATION OF CORPORATE INCOME AND EXPENSES

Income and expenses of the Corporation's Head Office and Subsidiaries were added to direct income and expenses of operating Divisions, in accordance with current bases established for each year, as stated in the Statement of allocation of controlled income and expenses of Head Office and Subsidiaries.

Consolidated divisional statements of income*At December 31, 2005, in thousands of dollars = ThUS\$*

	Codelco Norte	Salvador	Andina	El Teniente
OPERATING INCOME	3,584,084	134,793	634,347	1,054,519
Sales of own products	5,006,169	628,658	959,237	1,717,282
Sales of copper purchased from third parties	663,060	48,412	73,550	199,466
Sales of by - products	391,906	56,992	62,502	162,035
Sales of products from other Divisions	105,574	85,424	35,984	20,047
Income from transfers	42,128	26,712	3,060	51,199
Total Sales	6,208,837	846,198	1,134,333	2,150,029
Cost of own products	(1,532,613)	(503,252)	(325,402)	(725,795)
Cost of copper purchased from third parties	(649,138)	(48,314)	(72,047)	(200,684)
Cost of sales of products from other Divisions and by-products	(271,634)	(64,312)	(53,435)	(101,057)
Cost of sales from transfers	(35,015)	(64,131)	(18,392)	(5,561)
Total costs of sales	(2,488,400)	(680,009)	(469,276)	(1,033,097)
GROSS PROFIT	3,720,437	166,189	665,057	1,116,932
Administrative and selling expenses	(136,353)	(31,396)	(30,710)	(62,413)
NON-OPERATING EXPENSES	(728,434)	(178,818)	(133,857)	(306,502)
Interest income	12,644	2,572	1,480	5,378
Equity in income of related companies	66,007	9,240	12,361	22,424
Other income	63,023	14,242	9,099	34,391
Equity in losses of related companies	(6,276)	(859)	(1,247)	(2,132)
Amortization of goodwill	0	0	0	0
Interest expenses	(100,999)	(24,367)	(16,864)	(45,653)
Other expenses	(697,490)	(168,108)	(131,394)	(300,360)
Price-level restatement	(144)	(20)	(27)	(49)
Foreign exchange differences	(65,199)	(11,518)	(7,265)	(20,501)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	2,855,650	(44,025)	500,490	748,017
Income taxes	(1,609,938)	24,945	(282,226)	(421,827)
NET INCOME (LOSS) BEFORE MINORITY INTEREST	1,245,712	(19,080)	218,264	326,190
MINORITY INTEREST	2,242	307	414	762
NET INCOME (LOSS) FOR THE YEAR	1,247,954	(18,773)	218,678	326,952

The accompanying notes 1 and 2 are an integral part of these statements,

Consolidated divisional statements of income*At December 31, 2005, in thousands of dollars = ThUS\$*

	Ventanas	Consolidated	Adjustments	Total
OPERATING INCOME	19,965	5,427,708	0	5,427,708
Sales of own products	0	8,351,754	0	8,351,754
Sales of copper purchased from third parties	140,702	1,084,782	0	1,084,782
Sales of by - products	133,573	807,008	0	807,008
Sales of products from other Divisions	0	247,029	0	247,029
Income from transfers	0	123,099	(123,099)	0
Total Sales	274,275	10,613,672	(123,099)	10,490,573
Cost of own products	(120,712)	(3,207,774)	0	(3,207,774)
Cost of copper purchased from third parties	(132,691)	(1,102,874)	0	(1,102,874)
Cost of sales of products from other Divisions and by-products	0	(490,438)	0	(490,438)
Cost of sales from transfers	0	(123,099)	123,099	0
Total costs of sales	(253,403)	(4,924,185)	123,099	(4,801,086)
GROSS PROFIT	20,872	5,689,487	0	5,689,487
Administrative and selling expenses	(907)	(261,779)	0	(261,779)
NON-OPERATING EXPENSES	(8,882)	(1,356,493)	0	(1,356,493)
Interest income	287	22,361	0	22,361
Equity in income of related companies	0	110,032	0	110,032
Other income	636	121,391	0	121,391
Equity in losses of related companies	0	(10,514)	0	(10,514)
Amortization of goodwill	(810)	(810)	0	(810)
Interest expenses	(1,325)	(189,208)	0	(189,208)
Other expenses	(4,243)	(1,301,595)	0	(1,301,595)
Price-level restatement	0	(240)	0	(240)
Foreign exchange differences	(3,427)	(107,910)	0	(107,910)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	11,083	4,071,215	0	4,071,215
Income taxes	(6,285)	(2,295,331)	0	(2,295,331)
NET INCOME (LOSS) BEFORE MINORITY INTEREST	4,798	1,775,884	0	1,775,884
MINORITY INTEREST	0	3,725	0	3,725
NET INCOME (LOSS) FOR THE YEAR	4,798	1,779,609	0	1,779,609

The accompanying notes 1 and 2 are an integral part of these statements,

Consolidated divisional statements of income*At December 31, 2004, in thousands of dollars = ThUS\$*

	Codelco Norte	Salvador	Andina	El Teniente
OPERATING INCOME	2,367,185	66,070	409,663	669,728
Sales of own products	3,937,067	433,136	720,439	998,679
Sales of copper purchased from third parties	628,765	64,989	162,799	133,112
Sales of by - products	324,361	44,650	46,716	129,898
Sales of products from other Divisions	312,910	206,707	53,610	668
Income from transfers	160,738	15,786	16,601	345,778
Total Sales	5,363,841	765,268	1,000,165	1,608,135
Cost of own products	(1,686,009)	(361,746)	(285,443)	(554,319)
Cost of copper purchased from third parties	(631,584)	(65,571)	(162,416)	(127,621)
Cost of sales of products from other Divisions and by-products	(368,873)	(132,906)	(43,725)	(58,829)
Cost of sales from transfers	(197,534)	(112,988)	(75,014)	(153,367)
Total costs of sales	(2,884,000)	(673,211)	(566,598)	(894,136)
GROSS PROFIT	2,479,841	92,057	433,567	713,999
Administrative and selling expenses	(112,656)	(25,987)	(23,904)	(44,271)
NON-OPERATING INCOME (EXPENSES)	(524,517)	(74,520)	(99,911)	(110,173)
Interest income	6,030	1,814	1,659	3,603
Equity in income of related companies	64,743	9,375	13,302	19,852
Other income	49,748	14,847	20,123	121,799
Equity in losses of related companies	(11,677)	(1,658)	(3,222)	(3,582)
Interest expenses	(72,383)	(21,260)	(16,006)	(33,079)
Other expenses	(528,333)	(72,788)	(110,018)	(202,111)
Price-level restatement	(182)	(26)	(34)	(56)
Foreign exchange differences	(32,463)	(4,824)	(5,715)	(16,599)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	1,842,668	(8,450)	309,752	559,555
Income taxes	(1,069,818)	4,996	(179,667)	(324,997)
NET INCOME (LOSS) BEFORE MINORITY INTEREST	772,850	(3,454)	130,085	234,558
MINORITY INTEREST	299	42	55	91
NET INCOME (LOSS) FOR THE YEAR	773,149	(3,412)	130,140	234,649

The accompanying notes 1 and 2 are an integral part of these statements.

Consolidated divisional statements of income*At December 31, 2004, in thousands of dollars = ThUS\$*

	Talleres	Consolidated	Adjustments	Total
OPERATING INCOME	(1,033)	3,511,613	0	3,511,613
Sales of own products	0	6,089,321	0	6,089,321
Sales of copper purchased from third parties	0	989,665	0	989,665
Sales of by - products	5,155	550,780	0	550,780
Sales of products from other Divisions	0	573,895	0	573,895
Income from transfers	0	538,903	(538,903)	0
Total Sales	5,155	8,742,564	(538,903)	8,203,661
Cost of own products	(5,514)	(2,893,031)	0	(2,893,031)
Cost of copper purchased from third parties	0	(987,192)	0	(987,192)
Cost of sales of products from other Divisions and by-products	0	(604,333)	0	(604,333)
Cost of sales from transfers	0	(538,903)	538,903	0
Total costs of sales	(5,514)	(5,023,459)	538,903	(4,484,556)
GROSS PROFIT	(359)	3,719,105	0	3,719,105
Administrative and selling expenses	(674)	(207,492)	0	(207,492)
NON-OPERATING INCOME (EXPENSES)	191	(808,930)	0	(808,930)
Interest income	0	13,106	0	13,106
Equity in income of related companies	0	107,272	0	107,272
Other income	315	206,832	0	206,832
Equity in losses of related companies	0	(20,139)	0	(20,139)
Interest expenses	(37)	(142,765)	0	(142,765)
Other expenses	(55)	(913,305)	0	(913,305)
Price-level restatement	0	(298)	0	(298)
Foreign exchange differences	(32)	(59,633)	0	(59,633)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(842)	2,702,683	0	2,702,683
Income taxes	489	(1,568,997)	0	(1,568,997)
NET INCOME (LOSS) BEFORE MINORITY INTEREST	(353)	1,133,686	0	1,133,686
MINORITY INTEREST	0	487	0	487
NET INCOME (LOSS) FOR THE YEAR	(353)	1,134,173	0	1,134,173

The accompanying notes 1 and 2 are an integral part of these statements.



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 statement of allocation of controlled income and expenses of Corporación Nacional del Cobre de Chile's Head office and Subsidiaries for the year ended December 31, 2005. The statement of allocation of controlled income and expenses is the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on this statement of allocation of controlled income and expenses based on our audit. The statement of allocation of controlled income and expenses is derived from the consolidated financial statements of Corporación Nacional del Cobre de Chile for the year ended December 31, 2005, on which, based on our audit and the reports of the other auditors, who audited certain affiliates and subsidiaries, we have expressed an unqualified opinion under the same date of this report.

We conducted our audit in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of allocation of controlled income and expenses is free of material misstatements. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the statement of allocation

of controlled income and expenses. An audit also includes assessing the accounting principles used and the significant estimates made by the Corporation, as well as evaluating the overall presentation of the statement of allocation of controlled income and expenses. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of allocation of controlled income and expenses has been prepared in compliance with the Corporation's statutes, in conformity with the allocation criteria described in Notes 1 to 12 thereto.

In our opinion, based on our audit and the reports of other auditors, such statement of allocation of controlled income and expenses presents fairly, in all material respects, the allocated income and expenses of Corporación Nacional del Cobre de Chile's Head office and Subsidiaries for the year ended December 31, 2005, in conformity with the allocation criteria described in Notes 1 to 12 thereto.

The accompanying statement of allocation of controlled income and expenses has been translated into English for the convenience of readers outside Chile.

Mario Muñoz V,

February 10, 2006

Statement of allocation of income and expenses controlled by the head office and subsidiaries to the corporation’s operating divisions

At December 31, 2005, in thousands of dollars = ThUS\$

Administrative, selling, financial and other expenses	Total	Codelco Norte	Salvador	Andina	El Teniente	Ventanas
Sales of Head Office and Subsidiaries	807,977	486,235	66,581	89,938	165,223	0
Cost of sales of Head Office and Subsidiaries	(802,765)	(483,098)	(66,151)	(89,359)	(164,157)	0
Administrative and selling expenses	(158,499)	(88,567)	(17,810)	(15,541)	(35,674)	(907)
Interest income	16,215	8,671	2,069	1,484	3,886	105
Equity in income of related companies	109,665	65,996	9,037	12,208	22,424	0
Other income	63,069	36,466	5,843	6,242	14,393	125
Equity in losses of related companies	(10,428)	(6,276)	(859)	(1,161)	(2,132)	0
Interest expenses	(186,339)	(98,965)	(24,238)	(16,848)	(45,019)	(1,269)
Other expenses	(821,400)	(511,773)	(60,628)	(85,340)	(163,711)	52
Price-level restatement	(240)	(144)	(20)	(27)	(49)	0
Foreign exchange differences	(107,060)	(64,119)	(11,447)	(7,524)	(20,543)	(3,427)
Income taxes	(2,295,331)	(1,609,938)	24,945	(282,226)	(421,827)	(6,285)
Minority interest	3,725	2,242	307	414	762	0
Totals	(3,381,411)	(2,263,270)	(72,371)	(387,740)	(646,424)	(11,606)

The accompanying notes 1 to 12 are an integral part of this statement.

CRITERIA APPLIED TO THE ALLOCATION OF INCOME AND EXPENSES CONTROLLED BY THE HEAD OFFICE AND SUBSIDIARIES.

Income and expenses controlled by the Head Office and Subsidiaries are allocated to each operating Division in accordance with criteria set forth for each item of the income statement accounts, as follows:

1. Sales and cost of sales of the commercial activities of the Head Office and Subsidiaries

- Sales and cost of sales of commercial activities are allocated based on the values of products and by-products billed by each Division.

2. Administrative and selling expenses

2.1 Administrative expenses

- The cost centers identifiable with each Division are allocated directly.

- The cost centers related to the sales function are allocated based on the values billed and accounted for as deliveries of products and by-products of each Division.

- The cost centers related to the procurement function are allocated based on the warehouse accounting balances of each operating Division.

- The remaining cost centers are allocated based on the operating cash expenses of the respective Division.

2.2 Selling expenses

- The selling expenses identifiable with each Division are allocated directly.

- Any remaining selling expense is allocated based on the values billed and accounted for as deliveries of products and by-products of each Division.

3. Interest income

- Interest income associated and identified with each Division is allocated directly.

- Any remaining interest income is allocated based on the operating cash income of each Division.

4. Equity in income of related companies

- The income associated and identified with each Division is allocated directly.

- Any remaining income is allocated based on the values of own products and by-products billed by each Division.

5. Other income

- The other income associated and identified with each Division is allocated directly.

- Any remaining other income is allocated based on the balances of the item “Other income” of each Division.

Criteria applied to the allocation of income and expenses controlled by the head office and subsidiaries.

At December 31, 2005, in thousands of dollars = ThUS\$

6. Equity in losses of related companies

- The loss associated and identified with each Division is allocated directly.
- Any remaining loss is allocated based on the values of own products and by-products billed by each Division.

7. Interest expenses

- The interest expenses associated and identified with each Division are allocated directly.
- Any remaining interest expense is allocated based on the operating cash expenses of each Division.

8. Other expenses

8.1 Other expenses

- The other expenses associated and identified with each Division are allocated directly.
- Any remaining other expense is allocated based on the balances of the item "Other expenses" of each Division.

8.2 Contribution to the Chilean Government Law N°13.196

- The amount of the contribution to the Chilean Government is allocated based on the values billed and accounted for from each Division's exports of copper and by-products. Adjustments are made for contributions affecting interdivisional transfer contracts, which are allocated to the Division from which the products originated.

9. Price-level restatement

- The price-level restatement balance of Subsidiaries and Affiliates is allocated based on the value of own products billed by each Division.

10. Foreign exchange differences

- The identifiable exchange difference with each Division is allocated directly.
- The exchange differences on the sale of US dollars for Chilean pesos is allocated in relation to the transfer of funds and payments made by the Head Office for the account of each Division.
- Any remaining balance is allocated based on the operating cash expenses of each Division.

11. Income taxes

The applicable amount is allocated to each Division in accordance with the actual calculation determined based on income before taxes of each Division.

12. Minority interest

- Minority interest is allocated to each Division based on the value of own products and by-products billed by each Division.

Summarised financial statements of subsidiaries

At December 31, 2005, in thousands of dollars = ThUS\$

	Chile Copper Ltd. (1) Th.US\$	Codelco Kupferhandel GMBH (1) Th.US\$	Codelco Group USA Inc Th.US\$	Codelco International Limited y Filiales Th.US\$	S.C. Minera Picacho (1) (2) Th.US\$	CMS Chile S.A. (1) Th.US\$	Complejo Portuario Mejillones S.A. Th.US\$	Ejecutora Hospital del Cobre Calama S.A. Th.US\$	Soc. Elaboradora de Cobre Chilena Ltda. (2) Th.US\$
BALANCE SHEETS									
Assets									
Total current assets	40,070	49,437	87,508	1,149	150	1	780	193	1,177
Total fixed assets	8	0	46	404	0	0	110,584	121	0
Total other assets	0	3,115	17	21,372	12	0	815	0	0
Total Assets	40,078	52,552	87,571	22,925	162	1	112,179	314	1,177
Liabilities									
Total current liabilities	37,648	30,067	86,007	573	18	149	3,174	317	1
Total long-term liabilities	0	0	0	20,123	0	2,648	84,890	0	0
Minority interest	477	0	0	(58)	0	0	0	0	0
Total net equity	1,953	22,485	1,564	2,287	144	(2,796)	24,115	(3)	1,176
Total Liabilities and Equity	40,078	52,552	87,571	22,925	162	1	112,179	314	1,177
INCOME STATEMENTS									
Operating income	(1,730)	(103)	179	(10,654)	(2)	(7)	(2,097)	0	(2)
Non-operating expenses	1,787	2,530	65	(1,483)	7	2,247	(307)	(53)	393
Income before income taxes	57	2,427	244	(12,137)	5	2,240	(2,404)	(53)	391
Income taxes	(14)	(5)	(124)	0	0	0	403	0	0
Net income (loss) for the year	43	2,422	120	(12,137)	5	2,240	(2,001)	(53)	391
CASH FLOW STATEMENTS									
Net cash provided by (used in) operating activities	0	0	551	(10,158)	0	0	(1,304)	12	0
Net cash provided by (used in) financing activities	0	0	(32)	15,205	0	0	0	(121)	0
Net cash provided by (used in) investing activities	0	0	250	(4,947)	0	0	0	111	0
Effect of price-level restatement on cash and cash equivalents	0	0	0	0	0	0	0	(2)	0
Net increase (decrease) in cash and cash equivalents	0	0	769	100	0	0	(1,304)	0	0

(1) It not prepared statements of cash flows

(2) Unaudited financial statements

Summarised financial statements of subsidiaries

At December 31, 2005, in thousands of dollars = ThUS\$

Instituto de Innovación en Min. Y Metal. S.A.	Asociación Garantizadora de Pensiones	Santiago de Río Grande S.A.	Isapre Chuquicamata Ltda.	Isapre San Lorenzo Ltda.	Isapre Río Blanco Ltda.	Biosigma S.A.	Sociedad Geotérmica del Norte S.A.	Exploraciones Mineras Andinas S.A	Clínica Río Blanco S.A	Compañía Contractual Minera Los Andes
Th.US\$	Th.US\$	(1) (2) Th.US\$	Th.US\$	Th.US\$	Th.US\$	Th.US\$	(1) Th.US\$	Th.US\$	Th.US\$	(1) (2) Th.US\$
5,870	811	26	2,629	1,056	2,071	3,967	602	2,732	1,780	0
52	0	0	3,025	160	66	2,713	2,340	172	5,069	0
0	0	0	3,656	478	894	0	0	7	43	0
5,922	811	26	9,310	1,694	3,031	6,680	2,942	2,911	6,892	0
2,102	15	3	4,491	627	918	836	133	2,567	2,522	270
0	53	0	2,223	0	158	1,056	0	153	901	0
0	0	0	0	0	0	0	0	0	0	0
3,820	743	23	2,596	1,067	1,955	4,788	2,809	191	3,469	(270)
5,922	811	26	9,310	1,694	3,031	6,680	2,942	2,911	6,892	0
354	(78)	0	(240)	(499)	25	(4,218)	(27)	(163)	329	(129)
(57)	34	(2)	242	746	(182)	1,284	15	165	(220)	0
297	(44)	(2)	2	247	(157)	(2,934)	(12)	2	109	(129)
(53)	0	0	9	(44)	71	0	0	9	44	0
244	(44)	(2)	11	203	(86)	(2,934)	(12)	11	153	(129)
(548)	(67)	0	2,359	113	639	(4,858)	(23)	1,,640	677	0
0	0	0	0	0	0	7,751	0	0	0	0
(28)	0	0	(1,922)	(21)	(156)	(2,315)	(464)	(61)	(722)	0
(48)	(15)	1	39	(6)	(1)	(315)	(14)	25	24	0
(624)	(82)	1	476	86	482	263	(501)	1,604	(21)	0

Summarised financial statements of subsidiaries

At December 31, 2004, in thousands of dollars = ThUS\$

	Chile Copper Ltd.	Codelco Küpf erhandel GMBH	Codelco Group USA Inc	Codelco International Limited y Filiales	S.C. Minera Picacho	CMS Chile S.A.	Complejo Portuario Mejillones S.A.	Ejecutora Hospital del Cobre Calama S.A.
	(1) ThUS\$	(1) ThUS\$	ThUS\$	ThUS\$	(1) (2) ThUS\$	ThUS\$	ThUS\$	ThUS\$
BALANCE SHEETS								
Assets								
Total current assets	4,460	40,922	3,317	1,187	133	1	3,200	309
Total fixed assets	10	0	24	238	0	0	115,281	0
Total other assets	0	3,591	16	21,038	7	1,375	410	0
Total Assets	4,470	44,513	3,357	22,463	140	1,376	118,891	309
Liabilities								
Total current liabilities	1,785	14,559	2,163	1,675	15	664	1,804	264
Total long-term liabilities	0	0	0	5,748	0	5,172	90,971	0
Minority interest	545	0	0	0	0	0	0	0
Total net equity	2,140	29,954	1,194	15,040	125	(4,460)	26,116	45
Total Liabilities and Equity	4,470	44,513	3,357	22,463	140	1,376	118,891	309
INCOME STATEMENTS								
Operating income	(1,342)	(918)	398	(4,929)	(2)	(8)	(988)	2
Non-operating expenses	1,361	3,208	6	(11,000)	1	315	(66)	(4)
Income before income taxes	19	2,290	404	(15,929)	(1)	307	(1,054)	(2)
Income taxes	(4)	(198)	(163)	0	0	0	128	0
Net income (loss) for the year	15	2,092	241	(15,929)	(1)	307	(926)	(2)
CASH FLOW STATEMENTS								
Net cash provided by (used in) operating activities	0	0	149	(584)	0	0	6	0
Net cash provided by (used in) financing activities	0	0	(24)	9,643	0	0	1	0
Net cash provided by (used in) investing activities	0	0	0	(9,025)	0	0	(5)	0
Effect of price0level restatement on cash and cash equivalents		0	0	0	0	0	0	0
Net increase (decrease) in cash and cash equivalents	0	0	125	34	0	0	2	0

(1) It not prepared statements of cash flows

(2) Unaudited financial statements

Summarised financial statements of subsidiaries

At December 31, 2004, in thousands of dollars = ThUS\$

Soc. Elaboradora de Cobre ChilenaLtda. (2) ThUS\$	Instituto de Innovación en Min. y Metal. S.A. ThUS\$	Asociación Garantizadora de Pensiones ThUS\$	Santiago de Río Grande S.A. (1) (2) ThUS\$	Isapre Chuquicamata Ltda. ThUS\$	Isapre San Lorenzo Ltda. ThUS\$	Isapre Río Blanco Ltda. ThUS\$	Biosigma S.A. ThUS\$	Sociedad Geotérmica del Norte S.A. (1) ThUS\$	CMS Tecnología S.A. ThUS\$	Exploraciones Mineras Andinas S.A. ThUS\$	Clínica Río Blanco S,A ThUS\$	Compañía Contractual Minera Los Andes (1) (2) ThUS\$
13	5,045	780	24	2,311	638	2,696	1,833	1,102	12,276	234	784	0
0	15	0	0	2,860	220	58	642	1,825	5,734	149	4,108	0
675	0	0	0	1,983	427	280	0	0	138	0	0	2,313
688	5,060	780	24	7,154	1,285	3,034	2,475	2,927	18,148	383	4,892	2,313
0	1,714	12	3	3,188	520	1,139	287	417	9,906	182	1,266	125
7	0	46	0	1,677	0	88	914	0	1,996	41	681	2,313
0	0	0	0	0	0	0	0	0	0	0	0	0
681	3,346	722	21	2,289	765	1,807	1,274	2,510	6,246	160	2,945	(125)
688	5,060	780	24	7,154	1,285	3,034	2,475	2,927	18,148	383	4,892	2,313
(3)	357	(63)	(869)	(432)	(344)	207	(1,517)	(17)	924	(57)	(235)	(3)
64	(15)	24	866	460	570	1,072	567	4	(355)	(2)	(828)	0
61	342	(39)	(3)	28	226	1,279	(950)	(13)	569	(59)	(1,063)	(3)
0	(58)	0	0	4	(38)	29	0		(211)	2	4	0
61	284	(39)	(3)	32	188	1,308	(950)	(13)	358	(57)	(1,059)	(3)
0	(138)	(46)	0	252	204	54	(1,044)	(21)	748	159	(96)	0
0	0	(3)	0	0	0	410	(897)	0	(249)	217	375	0
0	(15)	0	0	(355)	(12)	(483)	(217)	0	(461)	(156)	(127)	0
0	(79)	(10)	0	23	(48)	(2)	6	(14)	17	(2)	0	0
0	(232)	(59)	0	(80)	144	(21)	(2,152)	(35)	55	218	152	0

Significant Accounting Policies Applied

Al 31 de diciembre de 2005 y 2004

NOTE 1. SUMMARY OF THE MAIN ACCOUNTING PRINCIPLES APPLIED

a) Period

These financial statements are for the fiscal year from 1 January to 31 December 2005 and 2004.

b) Basis of Presentation

These financial statements have been prepared according to accounting principles generally accepted in Chile as issued by the professional association of accountants, the Colegio de Contadores de Chile A.G. and regulations and instructions issued by the Superintendent of Securities and Insurance. In the case of a difference, the latter takes precedence.

c) Currency of Measure

These financial statements are expressed in the currency in effect in the country of origin of the affiliated company.

d) Basis for Consolidation

According to regulations issued by the Superintendent of Securities and Insurance and Technical Bulletins issued by the Colegio de Contadores de Chile A.G., these companies have prepared these consolidated financial statements including assets, liabilities, results and cash flows of subsidiaries.

All significant effects and amounts corresponding to transactions between consolidated companies have been eliminated and the equity corresponding to minority investors has been treated as minority interest. Consolidated financial statements involve the elimination of balances, transactions and unrealized profits between consolidated firms, including foreign and domestic subsidiaries.

e) Currency Correction

The financial statements of domestic subsidiaries whose accounting is conducted in Chilean pesos have incorporated the effects of the pesos' changing purchasing power for the respective fiscal years, according to regulations governing currency correction. Updates have been based on official consumer price indices maintained by the National Statistics Bureau, giving rise to a 3.6% update as of 31 December 2005 (2.5% in 2004).

f) Basis of Conversion

As of 31 December 2005 and 2004, assets and liabilities in foreign currency and unidades de fomento (an inflation indexed accounting unit) have been converted to current pesos according to parities existing at the end of the fiscal year, as follows:

	2005 MUS\$	2004 MUS\$
Pound sterling	1.71792	1.92567
Euro	1.18259	1.36370
Mexican peso	0.09424	0.08937
Unidad de Fomento	35.07280	31.06755

g) Time deposits

Time deposits have been posted at their investment value plus the corresponding interest accruing at the close of each fiscal year.

h) Negotiable Securities

This item includes mutual fund and other easily liquidated instruments, posted at their cost or market value (whichever is less).

i) Inventories

Inventories are valued at cost, which is no higher than their net implementation value. This cost has been determined using the following methods:

- Finished products and those in production: Using absorption costing, including depreciation of fixed assets and indirect costs at the end of each fiscal year. These inventories are valued at their average production cost.
- Warehoused materials: At acquisition costs. The company sets a provision for obsolescence considering the duration in stock of those materials that turnover slowly.
- Material in transit: At the cost incurred by the end of the fiscal year.

j) Estimate of Non-Performing Debt

The company posts a provision for non-performing debt, based on administrative experience and analysis, the debtor portfolio and the age of entries.

k) Fixed Assets

Fixed assets are valued at their historic cost, net accumulated depreciation.

Construction works include the value invested in fixed construction assets.

l) Depreciation

Fixed asset depreciation is based on respective book values, using the linear method and based on the goods' estimated remaining years of use.

Significant Accounting Policies Applied

Al 31 de diciembre de 2005 y 2004

m) Leased Assets

Fixed assets belonging to subsidiaries through financial leasing contracts are posted under Other Fixed Assets. These goods have been evaluated at current value applying the interest rate implicit in contracts and depreciated using the linear method, based on the goods' estimated remaining years of use. Legally speaking, these goods do not belong to the companies until the respective purchasing option has been exercised.

n) Investment in Related Firms

Investment in related firms, both Chilean and foreign, of a permanent nature are valued using the proportional equity method, according to rules established in the Technical Bulletins published by the Colegio de Contadores de Chile A.G., except for investment in the subsidiaries in England and Germany.

Investment in other firms is posted by purchasing value, which is not higher than market value.

o) Intangibles

The value of actual disbursements and amortization is estimated according to rules established in Technical Bulletin Nro. 55 of the Colegio de Contadores de Chile A.G.

p) Income Tax and Deferred Income Taxes

Income tax is provided for according to the legal requirements in effect.

Companies include in their financial statements the effect of deferred income taxes assignable to temporary differences, which receive different treatment for tax and accounting purposes, as per Technical Bulletins published by the Colegio de Contadores de Chile A.G. and requirements set by the Superintendent of Securities and Insurance de Chile.

q) Computer Software

Computer systems developed using the company's own human and material resources are charged to the result of the fiscal year in which these expenses were incurred.

r) Research and Development Costs

Spending on research and development is charged to the fiscal year in which it occurred.

s) Cash Flows Statement

Cash on hand, in banks, time deposits and financial instruments classified as unrestrictive short-term negotiable securities maturing in 90 days or less are treated as cash or cash equivalents as per instructions in the Technical Bulletins published by the Colegio de Contadores de Chile A.G. and regulations from the Superintendent of Securities and Insurance.

The company has classified operations-, investment- or finance-related cash movements as per the Technical Bulletins issued by the Colegio de Contadores de Chile A.G. and regulations issued by the Superintendent of Securities and Insurance.

NOTE 2. ACCOUNTING CHANGES

Investment in related firms from 1 January 2004 onward has been treated according to Technical Bulletin N° 72 of the Colegio de Contadores de Chile A.G.

As of 31 December 2005, there have been no other significant changes in the application of accounting principles compared to the previous period.

Highlights

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

1) Creation of Companies

Talleres Rancagua Division

On 23 January 2004, Codelco transferred 60% of the shares in Fundición Talleres SA to Compañía Electro Metalúrgica SA, and became a minority shareholder with a 40% share in the company.

On 22 December 2003 offers to purchase 60% of Fundición Talleres SA were opened, and the company sold to Compañía Electro Metalúrgica SA for US\$9.225 million.

Board resolution No. 21/2003 (30 June 2003), gave the President and CEO a mandate to:

- Create a closed corporation, in association with Empresa Elaboradora de Cobre Chilena Limitada, called Fundición Talleres SA, through share subscriptions up to US\$14 million.
- Transfer the assets belonging to the Talleres Rancagua Division smelter, including the building it currently uses, to Fundición Talleres SA.
- Proceed to sell at public auction up to 60% of the subsidiary Fundición Talleres SA.

Creation of companies in the US

On 29 November 2004, the Board of Directors authorized the President and CEO to create a company for developing and promotion Semi Solid Metal Casting technology, with starting capital of up to US\$250,000.

2) Registration in the Superintendency of Securities and Insurance

In resolution no. 23/2002 (26 August 2002), Codelco's Board of Directors agreed to register Codelco in the Superintendency of Securities and Insurance, prior to issuing public bonds.

3) Obligations to the public

On 21 September 2005, Codelco issued bonds on the US market, under rule 144-A and Regulation S, for a nominal amount of US\$384.5 million and US\$115.5 million, respectively. These bonds fall due in a single payment on 21 September 2035, at 5.625% per annum, with interest paid every six months. The agents in charge of the bond issue abroad were Deutsche Bank Securities and JP Morgan.

On 10 May 2005, Codelco issued these bonds on the local market, for a nominal amount of UF 6.9 million (the UF, or unidad de fomento, is an inflation-indexed accounting unit) of a single B series, consisting of 6,900 shares worth UF 1,000 apiece. These bonds fall due in a single payment on 1 April 2025, at a rate of 3.29% per annum, with interests paid every six months. The agent placing these bonds was Celfin Gardeweg SA.

In a meeting held on 3 March 2005, Codelco's Board of Directors approved a bond issue, in Chile or abroad, for up to US\$400 million.

On 15 October 2004, Codelco issued and placed the bonds on the US market, under rule 144-A, for a nominal amount of US\$500 million. These bonds fall due in a single payment on 15 October 2014, at a rate of 4.75% per annum, paid every six months. The agents for the bond issue abroad were HSBC and Citigroup.

In a meeting held on 30 August 2004, Codelco's Board of Directors authorized a bond issue worth up to US\$500 million in Chile or abroad.

4) Obligations to banks

On 12 May 2004 Codelco obtained financing worth US\$300 million through a syndicated credit, at LIBOR plus 0.25% maturing in 5 years.

Renegotiation of credits

On 24 September 2004, to make the most of favorable conditions in the international banking market, Codelco renegotiated part of its financial debt worth US\$600 million, thereby reducing the interest rate from LIBOR plus 45 basis points to LIBOR plus 17.5 basis points, maturing in 2006 and 2008.

Highlights

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

5) Asset sales

Tender of assets for generating electricity and water rights in the Alto Cachapoal basin

Codelco analyzed the offers received, on 15 December 2003, for the different asset groups and assigned them to the following firms:

- Coya and Pangal hydroelectric generating stations, water rights and other assets. Assigned to Hidroeléctrica Cachapoal SA for US\$75.63 million.
- Water rights and titles to different points of the Cachapoal River and its tributaries. Assigned to Pacific Hydro Chile SA for US\$10 million.
- Thermal power station in the Coya sector and associated equipment and machinery. Assigned to Colbún SA for US\$200,000.

On 19 April 2004 these assets were transferred to the firms Hidroeléctrica Cachapoal SA and Colbún SA.

6) Asset purchases

On 2 May, the Ventanas smelter and refinery’s assets and liabilities were transferred from ENAMI to Codelco’s new Ventanas Division.

On 3 January 2005, a law was passed authorizing the transfer of the Ventanas smelter and refinery from the Empresa Nacional de Minería to Codelco on 2 May 2005.

In a meeting held on 6 August 2004, the Board of Directors agreed to modify the President and CEO’s mandate to make an offer to purchase the Ventanas smelter and refinery, which belonged to the Empresa Nacional de Minería, for a new price in the US\$390-395 million range. This change was based on the fact that the transfer of assets would most likely occur between late 2004 and early 2005, making a recalculation of the offer necessary, to update the value of future flows to 31 December 2004.

7) Changes in executives

A resolution from the President and CEO appointed Alex Acosta Maluenda general manager of Ventanas Division, starting 31 January 2005.

On 1 March 2004, Ricardo Alvarez Fuentes was appointed general manager of El Teniente Division.

A resolution from the President and CEO appointed Daniel Trivelli Oyarzún general manager of Andina Division starting 2 February 2004.

8) Changes to external auditors

The external auditors Ernst & Young completed their period as auditors of the financial statements.

As a result, Codelco’s Board of Directors tendered these services, hiring Deloitte for the 2003-2005 period, inclusive.

9) Strategic alliances

China Minmetals Non-ferrous Metals Co. Ltd. (“Minmetals”), and Compañía Nacional del Cobre de Chile (“Codelco”) formed a strategic alliance to make the most of new opportunities arising from growing demand for copper in China and Codelco’s strengths, capacities and abundant reserves.

To do so, Minmetals and Codelco created a joint venture equally owned by both companies. During the initial stage, the company will invest US\$550 million in prepaying to Codelco part of a long-term contract for copper. The companies placed a US\$2 billion ceiling on this kind of financing. The company’s financing needs will be covered by the China Development Bank, which will act as its financial agent.

Highlights

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Codelco also gave Minmetals an option to purchase at market prices a minority share in the firm that will develop the Gaby deposit, provided Codelco goes ahead.

10) Market changes

Codelco has consolidated its role as the world’s main copper producer, supplying around 16% of the world market.

With low costs that have kept it in the first quartile of world production, Codelco is also highly competitive.

11) Market risk analysis

Codelco faces the normal risks of any company in this industry. These are primarily associated with the copper price and interest rates on the credits necessary to operate and invest. In Chile, Codelco’s peso-denominated assets and liabilities are also affected by shifts in the foreign exchange rate, which affect cost components calculated in Chilean pesos.

As of 31 December 2005, capital owing on short- and long-term financing stood at US\$3.669 billion (banks and bonds).

Of total borrowing, 83.55% of the total is at a fixed rate, with the remaining 16.41% at LIBOR.

The fixed rate is currently being applied to US\$300 million in bonds abroad, maturing in 2008, at 7.375%; US\$ 435 million in bonds abroad maturing in 2012, at 6.375%; UF7,000,000 in bonds in the domestic market maturing in 2012, at 3.9608%; US\$500 million in bonds abroad maturing in 2013, at 5.5%; US\$500 million in bonds abroad maturing in 2014, at 4.75%; UF6,900,000 in bonds in the domestic market maturing in 2025, at 3.29%; US\$500 million in bonds abroad maturing in 2035, at 5.625%; spot sales of dollars worth US\$40 million; and a total of US\$300 million in bank debt at a variable rate set using a financial instrument (Swap) fixed at 3.3935% and US\$6 million in bank debt from subsidiaries at a fixed rate of 3.07%.

Changes in the US\$/ChP rate are the main source of foreign exchange risk, pushing assets and liabilities up or down, as the case may be. The mismatch between assets and liabilities in Chilean pesos totaled US\$1.08 million in net liability (note 25), 10.05% of total assets. The impact of this mismatch tends to be minimal thanks to currency hedging operations.

Amounts in other currencies remain balanced.

Because Codelco is an exporter, almost all its revenues are in US dollars.



Remunerations of the board of directors and the management

At December 31, 2005 and 2004, in thousands of dollars = ThUS\$

Directors´ Remunerations

During 2005 and 2004, the mebers of the Board Directors have received the follo-
wing amounts as per diems, remunerations and fees:

Directors´ Per Diems

Name	2005 ThUS\$	2004 ThUS\$
José Alfonso Dulanto Rencoret	17	14
Nicolás Eyzaguirre Guzmán	16	13
Patricio Meller Bock	44	34
Jorge Navarrete Martínez	44	34
Ricardo Ortega Perrier	43	35
Bismarck Robles Guzmán	44	28
René Valdenegro Oyaneder	44	28

Remunerations

Name	2005 ThUS\$	2004 ThUS\$
Bismarck Robles Guzmán	54	50
René Valdenegro Oyaneder	75	48

Fees

Name	2005 ThUS\$	2004 ThUS\$
Jorge Navarrete Martínez	64	57

Wages paid out to Codelco’s main executives in 2005 reached ThUS\$4,424 (up from ThUS\$3,831 in 2004). Of this amount, ThUS\$3,968 went to fixed wages and ThUS\$456 to a 2004 performance incentive, payable in 2005.

Guidelines for setting wages were established by a Board resolution (29 January 2003) and amended by the Board wage committee (2 March 2004), and are as follows:

- a) Fixed wages will be set at the 50th percentile of the fixed component of wages, plus or minus 15%, for the equivalent position in the reference market.
- b) The annual value of the non-guaranteed performance bonus will fluctuate according to compliance with targets and individual performance, from zero to three fixed monthly wages. Moreover, two limitations exist: first, Codelco’s annual revenues must be higher than 20% of its equity (capital plus reserves) and, second, total bonuses cannot be more than 2.4 times the aggregate amount of the monthly base wage of these executives.
- c) The total wage, that is the sum of guaranteed fixed wages plus any eventual performance bonus, will not exceed total wages corresponding to the 75th percentile for the equivalent position in the reference market.

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