

**CORPORACION NACIONAL DEL
COBRE DE CHILE AND
SUBSIDIARIES**

Consolidated financial statements for the
three month periods ended March 31, 2004 and 2003
(Unaudited)

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT MARCH 31, 2004 AND 2003 (Unaudited)
(In thousands of U.S. Dollars -ThUS\$)

ASSETS	2004 ThUS\$	2003 ThUS\$
CURRENT:		
Cash	12,933	13,041
Time deposits	129,484	51,660
Marketable securities	1,381	121
Trade receivables (net)	554,305	218,561
Notes receivable	3,575	2,378
Other receivables (net)	121,212	102,321
Due from related companies	3,595	-
Inventories (net)	853,263	514,180
Income taxes recoverable	105,690	176,614
Prepaid expenses	43,012	12,579
Deferred taxes	46,372	13,502
Other current assets	<u>10,479</u>	<u>2,332</u>
Total current assets	<u>1,885,301</u>	<u>,107,289</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	30,450	29,332
Buildings and infrastructure	6,176,504	5,812,712
Machinery and equipment	5,460,745	5,304,478
Other plant and equipment	49,504	1,153
Technical appraisal revaluation	383,112	417,739
Accumulated depreciation	<u>(6,834,644)</u>	<u>(6,646,934)</u>
Net property, plant and equipment	<u>5,265,671</u>	<u>4,918,480</u>
OTHER ASSETS:		
Investments in related companies	453,519	258,375
Investments in other companies	3,382	2,990
Long-term receivables	123,599	94,460
Due from related companies	81,865	81,839
Intangibles	11,727	3,420
Accumulated amortization	(1,082)	(1,045)
Other assets	<u>353,464</u>	<u>222,321</u>
Total other assets	<u>1,026,474</u>	<u>662,360</u>
TOTAL ASSETS	<u><u>8,177,446</u></u>	<u><u>6,688,129</u></u>

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

LIABILITIES AND EQUITY	2004 ThUS\$	2003 ThUS\$
CURRENT LIABILITIES:		
Banks and financial institutions:		
Short-term	467,931	185,150
Current portion of long-term debt	204,614	281,226
Current portion of bonds payable	32,836	19,073
Accounts payable	267,593	187,815
Short-term notes payable	579	343
Miscellaneous payables	18,978	19,214
Due to related companies	42,382	14,788
Accruals	209,991	138,836
Withholdings	65,787	54,281
Income taxes payable	327	162
Deferred income	4,050	3,711
Other current liabilities	435	1,467
Total current liabilities	<u>1,315,503</u>	<u>906,066</u>
LONG- TERM LIABILITIES:		
Due to banks and financial institutions	700,000	600,000
Bonds payable	,423,934	896,061
Long-term notes payable	90,957	53,075
Miscellaneous payables	46,914	197
Accruals	719,298	543,543
Deferred taxes	986,538	931,082
Other long-term liabilities	4,795	6,517
Total long-term liabilities	<u>3,972,436</u>	<u>3,030,475</u>
MINORITY INTEREST	<u>1,936</u>	<u>49</u>
EQUITY:		
Paid-in capital	,524,423	1,524,423
Other reserves	,311,275	1,250,399
Profits distribution to the Chilean Treasury	(156,757)	(44,724)
Net income for the period	208,630	21,441
Total equity - net	<u>2,887,571</u>	<u>2,751,539</u>
TOTAL LIABILITIES AND EQUITY	<u><u>8,177,446</u></u>	<u><u>6,688,129</u></u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(In thousands of U.S. Dollars -ThUS\$)

	2004 ThUS\$	2003 ThUS\$
SALES	1,859,018	816,097
COST OF SALES	<u>(1,045,516)</u>	<u>(637,800)</u>
GROSS PROFIT	813,502	178,297
ADMINISTRATIVE AND SELLING EXPENSES	<u>(49,589)</u>	<u>(38,525)</u>
OPERATING INCOME	<u>763,913</u>	<u>139,772</u>
NON-OPERATING INCOME (EXPENSES):		
Interest income	1,663	1,637
Equity in income of related companies	26,856	2,385
Other income	23,524	19,603
Equity in losses of related companies	(5,603)	(4,444)
Interest expense	(36,142)	(24,131)
Other expenses	(290,620)	(89,554)
Price-level restatement	9	308
Foreign currency translation	<u>14,118</u>	<u>5,265</u>
NON-OPERATING EXPENSES - NET	<u>(266,195)</u>	<u>(88,931)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	497,718	50,841
INCOME TAXES	<u>(289,085)</u>	<u>(29,417)</u>
INCOME BEFORE MINORITY INTEREST	208,633	21,424
MINORITY INTEREST	<u>(3)</u>	17
NET INCOME FOR THE PERIOD	<u>208,630</u>	<u>21,441</u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
 FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
 (In thousands of U.S. Dollars -ThUS\$)

	2004	2003
	ThUS\$	ThUS\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Collections from customers	1,769,427	849,634
Financial income received	367	352
Other income collected	153,149	88,995
Payments to suppliers and employees	(1,128,005)	(622,937)
Payment of interest	(7,880)	(5,961)
Payment of income taxes	(121,987)	(20,036)
Other expenses paid	(105,099)	(67,508)
Payment of value added tax and other similar taxes	(110,691)	(70,752)
	<u>449,281</u>	<u>151,787</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans obtained	40,000	50,000
Dividends paid	(142,133)	
Payment of loans	(39,900)	(80,000)
	<u>(142,033)</u>	<u>(30,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	107	
Proceeds from sales of other investments	6,234	
Other investments	15,343	13,822
Purchases of property, plant and equipment	(230,532)	(213,093)
Investments in related companies	(4,180)	(4,481)
Other investment disbursements	(10,277)	(6,792)
	<u>(223,305)</u>	<u>(210,544)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	83,943	(88,757)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	59,844	153,579
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>143,787</u>	<u>64,822</u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
 FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
 (In thousands of U.S. Dollars - ThUS\$)

	2004	2003
	ThUS\$	ThUS\$
RECONCILIATION OF NET INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income for the period	208,630	21,441
Gain on sale of assets	(25)	(65)
Debits (credits) to income which do not represent cash flows:		
Depreciation	97,070	92,728
Amortization	28,560	20,291
Write-offs and provisions	120,391	99,150
Equity in income of related companies	(26,856)	(2,385)
Equity in losses of related companies	5,603	4,444
Price-level restatement	(9)	(308)
Foreign currency translation	(14,118)	(5,265)
Other credits to income which do not represent cash flows	(12,810)	(11,245)
(Increase) decrease in assets which affect operating cash flows:		
Trade receivables	(200,183)	6,660
Inventories	25,845	(19,601)
Other assets	224,054	38,484
Increase (decrease) in liabilities which affect operating cash flows:		
Accounts payable associated with operating activities	(35,771)	(59,439)
Interest payable	20,460	14,501
Income tax payable	(26)	(204)
Value added tax and other similar taxes payable, net	8,463	(47,383)
Minority interest	3	(17)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>449,281</u>	<u>151,787</u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars - ThUS\$)

Management considers that 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 and which were filed with the Superintendence of Securities and Insurance and which are available to the general public. Such information is also available in the Company's offices.

DESCRIPTION OF BUSINESS

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

The Company was formed as stipulated by Law Decree (D.L.) N°1,350 of 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 productive activities through its Codelco Norte, Salvador, Andina, El Teniente and Talleres Divisions. The Company also carries out similar activities in other mining deposits in association with third parties.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting periods - These consolidated financial statements cover the interim periods from January 1 to March 31, 2004 and 2003, respectively.

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

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

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

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

Chile Copper Limited, Codelco Group USA Inc., Codelco International Limited, Codelco K pferhandel Gmhb, Codelco Services Limited, Metall Agentur Gmhb, Codelco Metals Inc., Codelco Technologies Ltd., Codelco Do Brasil Mineracao, Compa a Minera Picacho (SCM), Compa a Contractual Minera Los Andes, Isapre Chuquicamata Limitada, Elaboradora de Cobre Chilena Limitada, Asociaci n Garantizadora de Pensiones, Isapre San Lorenzo Limitada, Isapre Rio Blanco Limitada, CMS - Chile Sistema y Equipos Mineros S.A., Ejecutora Proyecto Hospital del Cobre Calama S.A., Complejo Portuario Mejillones S.A., Instituto de Innovaci n en Miner a y Metalurgia S.A., Santiago de Rio Grande S.A. and CMS Tecnologia S.A.. The interest that Codelco holds in the aforementioned companies fluctuates between 96% and 100%. Likewise, the interest held in Sociedad Geot rmica del Norte S.A. and Biosigma S.A. is 50.01% and 66.67%, respectively.

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

On March 31 2003, the subsidiary Complejo Portuario Mejillones S.A. was included in the consolidation, notwithstanding it was in its development period. It continued to be in its development period up to December 31 2003.

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

Electroandina S.A.

Codelco has a direct ownership interest in Electroandina S.A. of 34.8% and an indirect ownership interest through Inversiones Tocopilla Ltda., where 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 has a direct ownership interest in Inversiones Mejillones S.A. of 34.8% and an indirect ownership interest through Inversiones Tocopilla Ltda., where 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 period. In line with this, restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for the three month periods ended March 31, 2004 and 2003 were -0.5% and 0.5%, respectively.

f. Basis of conversion - The Company's assets and liabilities in pesos, mainly composed of cash, accounts receivable, investments in companies in Chile, accounts payable and accruals, have been expressed in United States Dollars at the observed exchange rate at each period close of business of Ch\$623.21 per US Dollar as of March 31, 2004 (2003: Ch\$727.36 per US Dollar).

UF-Denominated Assets and Liabilities

At March 31, 2004 and 2003, assets and liabilities denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$/UF rates effective on the closing dates of the financial statements (2004: US\$26.99061; 2003: US\$23.07468).

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.

Exchange differences are debited or credited to income, in accordance with generally accepted accounting principles pronounced by the Chilean Association of Accountants and regulations of the Superintendence of Securities and Insurance.

The average exchange rate in for the three month periods ended March 31, 2004 and 2003 was Ch\$587.85 per US Dollar (2003: Ch\$736.63 per US Dollar).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of March 31, 2004 and 2003 have been translated into US Dollars at the exchange rates on those dates (2004: Ch\$623.21 per US Dollar; 2003: Ch\$727.36 per US Dollar).

Foreign subsidiaries

As of March 31, 2004 and 2003, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US Dollars using the exchange rates as of the respective period end published by the Central Bank of Chile.

g. Time deposits - Time deposits are recorded at invested principal plus corresponding interest accrued at each period closing date.

h. Marketable securities - Marketable securities include mutual fund units stated at market value and other instruments 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 method, finished products and products in process are valued at average production cost. Production costs include depreciation of property, plant and equipment and indirect expenses.

Materials in warehouse

Materials in warehouse are valued at acquisition cost.

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

Materials in transit

Materials in transit are valued at cost incurred through period-end.

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

k. Property, plant and equipment - Property, plant and equipment are expressed in US Dollars and valued at historical cost as increased by technical appraisals made by The American Appraisal Co. and recorded 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 using the straight-line method on the book values of property, plant and equipment, including the revaluation mentioned in Note 2(k) above, and the estimated useful lives of the assets.

m. Exploration, mine development and mine operating costs

Deposit exploration and drilling costs

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

Mine pre-operating and development costs

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

Costs of developing existing mines

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

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

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

n. Leased assets - Property, plant and equipment recorded by the subsidiaries through financial leasing contracts are recorded as other plant and equipment. These assets have been valued at their current value applying the implicit interest rate in the contracts and are depreciated using the straight-line method based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

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

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

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

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

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

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

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 at the shut-down method.

The Company, following its cost-reduction programs by way of using 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 contracts in futures markets 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 entered into in order to protect the Company from risks inherent to the fluctuation of the price of metals. This hedging policy has the purpose of protecting cash flows associated with sales operations and therefore these operations have been considered as hedging contracts for anticipated transactions. In accordance with the provisions of Technical Bulletin No. 57 issued by the Chilean Association of Accountants, the result of these hedging transactions is recorded at the date of settlement of the operations, as part of the proceeds from the sale of the products. In other words, the Company conducts these futures operations in order to adjust the sales contracts to the commercial policy. The settlement of these operations coincides with the accounting for corresponding transactions, and, therefore, when sales commitments are fulfilled, sales contracts' and future contracts' results are offset.

Hedging policies for exchange rates and interest rates.

Exchange rate hedges include contracts, which mitigate the risk of fluctuations between the UF and the US\$ exchange rate for UF denominated bonds payable.

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

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

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

Operations carried out in futures markets are not of a speculative nature.

v. Computer software - Computer systems developed through the use of the Company's own human resources and materials are charged to results in the period in which they are incurred.

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

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

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

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

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

z. Environmental exit costs - The Company has established a policy of accruing for future environmental exit costs, which mainly relate to the situation of tailing dams, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the allocation of environmental exit costs during their 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 involved is included in the item other expenses in the statements of income.

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

ac. Bond issuance cost - Bond issuance cost is charged to the year's results, as established in Circular N° 1,370 dated January 30, 1998 of the Superintendence of Securities and Insurance.

ad. Reclassifications - For comparative purposes with the 2004 financial statements, certain 2003 figures have been reclassified.

3. CHANGES IN ACCOUNTING PRINCIPLES

From January 1 to March 31, 2004, there were no changes in accounting policies and accounting criteria described in Note 2, with respect to the prior year.

4. TRANSACTIONS WITH RELATED COMPANIES

Balances receivable from and payable to related companies are presented in the balance sheets.

The Company's policies for transactions with related companies are specifically defined by the Company's Board of Directors and regulated by the Company's management.

The Company, acting in accordance with current applicable regulations and within the normal scope of its business, carries out transactions with related entities or parties, under fair conditions, which are similar to those usually prevailing in the market when the transactions take place.

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

The main transactions with related companies are with investees, for purchases of ThUS\$96,806 (ThUS\$59,183 in 2003) and sales of ThUS\$ 7,015 (ThUS\$82,232 in 2003) of products or services, at market prices.

5. INVENTORIES

The breakdown of inventories is as follows (in thousands of US Dollars):

	As of March 31,	
	2004	2003
Finished products	513,580	228,995
Work in progress	207,467	153,204
Materials in warehouse and others	<u>132,216</u>	<u>131,981</u>
Total	<u><u>853,263</u></u>	<u><u>514,180</u></u>

The value of inventories is presented net of the obsolescence allowance for materials in warehouse of ThUS\$34,765 and ThUS\$31,455 as of March 31, 2004 and 2003, respectively.

6. INCOME AND DEFERRED TAXES

a. Income tax

At March 31, 2004 and 2003, the provisions for first category income tax and that required by D.L. No. 2,398 amount to ThUS\$237,304, and are shown net of estimated monthly payments of taxes and of other tax credits in income taxes recoverable in current assets.

In the subsidiaries, this income tax provision amounted to ThUS\$458 in 2004 and ThUS\$36 in 2003 and is shown in income tax payable net of estimated monthly tax payments and other tax credits.

b. Deferred tax

In accordance with Law No. 19,753 and Technical Bulletin No. 71 issued by the Chilean Association of Accountants, the Company has recognized the effects of the increase in the tax rate of first category income tax. Deferred taxes calculated under the criteria in Note 2 (r) represent a net liability of ThUS\$940,166 at March 31, 2004 consisting of assets of ThUS\$364,862 and liabilities of ThUS\$1,305,028 and ThUS\$917,580 consisting of assets of ThUS\$342,301 and liabilities of ThUS\$1,259,881 at March 31, 2003.

At March 31, 2004, there are other debits to the account for ThUS\$7,094.

7. PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows (in thousands of US Dollars):

a. Property, plant and equipment:

	<u>As of March 31,</u>	
	<u>2004</u>	<u>2003</u>
Land and mining rights	30,450	29,332
Buildings and infrastructure	6,176,504	5,812,712
Machinery and equipment	5,460,745	5,304,478
Other plant and equipment	49,504	1,153
Technical appraisal	<u>383,112</u>	<u>417,739</u>
Total gross property, plant and equipment	<u>12,100,315</u>	<u>11,565,414</u>

b. Accumulated depreciation

	<u>As of March 31,</u>	
	<u>2004</u>	<u>2003</u>
Buildings and infrastructure	3,366,442	3,302,204
Machinery and equipment	3,459,007	3,338,831
Other fixed assets	1,074	-
Accumulated depreciation subsidiaries	<u>8,121</u>	<u>5,899</u>
Total accumulated depreciation	<u>6,834,644</u>	<u>6,646,934</u>

The assets acquired under financial leasing, which correspond to buildings, are included in other plant and equipment, and have the following characteristics:

Average annual interest rate	:	varies between 4.67% and 11.27%
Contract currency	:	UF
Amortization period	:	Between 184 and 291 months, including purchase option
Principal	:	UF 1,779,580

8. INVESTMENTS IN RELATED COMPANIES

The detail of investments is as follows (in thousand of US Dollars):

Company	As of March 31,			
	Equity in net income (losses)		Related equity	
	2004	2003	2004	2003
Agua de La Falda S. A.	(226)	(170)	4,330	5,817
Minera Pcobre S.A. de C. V .	(640)	(689)	111	1,497
Electroandina S.A.	(1,867)	(1,527)	92,391	43,212
Alliance Copper Limited.	(1,904)	(288)	25,910	20,121
Quadrem International Ltd. Holdings.	-	-	745	934
Inversiones Tocopilla Ltda.	(940)	(1,759)	156,119	104,689
Sociedad Contractual Minera El Abra	24,847	1,448	118,438	58,952
Inversiones Mejillones S.A.	2,009	937	47,560	23,153
Minera Yabricoya SCM	-	(11)		
Fundición Talleres S.A.	(26)	-	7,040	
Sociedad Contractual Minera Puren	-		875	
Total	21,253	(2,059)	453,519	258,375

These investments are presented net of unrealized gains of ThUS\$245,664 in 2004 and ThUS\$289,656 in 2003.

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

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

Additional information:

Agua de la Falda S.A.

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

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

Minera Pcobre S.A. de C.V.

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

Sociedad Contractual Minera El Abra

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

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

- a) A long-term trading agreement with Codelco Services Ltd. for a 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.

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 S.A.

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.

Fundición Talleres S.A.

Fundición Talleres S.A. is a non-public limited liability company, which was established on October 1st, 2003, by Corporación Nacional del Cobre de Chile and Elaboradora de Cobre Chilena Ltda.. On October 23rd, 2003, Fundición Talleres S.A. acquired from División Talleres of Codelco Chile, machinery and other operational assets for M\$8,066,432 (MUS\$12,560). On January 23rd, 2004, the Corporation sold 60% of this company's share capital to Compañía Electro Metalúrgica S.A..

Their social object is the manufacture of steel parts and pieces.

Additional information on unrealized gains

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

The most significant transactions are detailed as follows:

Sociedad Contractual Minera El Abra

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. At March 31, 2004, a gain of ThUS\$5,026 (ThUS\$5,072 in 2003) was recognized.

Electroandina S.A.

This is an unrealized gain on the contribution of fixed assets in 1996. The gain will be recognized over ten years through 2006. At March 31, 2004, a gain of ThUS\$4,540 (ThUS\$4,540 in 2003) was recognized.

Inversiones Tocopilla Ltda.

This is an unrealized gain on the initial contribution of ownership rights in 1996. The gain will be recognized over ten years through 2006. At March 31, 2004, a gain of ThUS\$1,633 (ThUS\$1,633 in 2003) was recognized.

9. SHORT-TERM DEBT DUE TO BANKS AND FINANCIAL INSTITUTIONS

The detail is the following (in thousands of US Dollars):

a. Short-term obligations

Bank or financial institution	As of March 31,	
	2004	2003
San Paolo IMI SpA	45,206	25,238
Banco Santander Santiago	30,105	
SCH Overseas Bank Inc.	100,443	
Banco Bilbao Vizcaya	50,214	
The Bank of Tokio-Mitsubishi	-	35,291
ANZ Bank	45,178	
Dresdner Bank	30,144	
The Royal Bank of Canada	50,227	
Toronto Dominion Bank	-	35,600
Banco de Chile	80,358	30,197
Santander Central Hispano	-	30,054
Banca Di Roma	20,056	20,070
Others	<u>16,000</u>	<u>8,700</u>
Total	<u>467,931</u>	<u>185,150</u>
Principal outstanding	<u>466,000</u>	<u>184,300</u>
Annual average interest rate	<u>1.45%</u>	<u>2.77%</u>

(1) Obligations in US Dollars are considered as foreign currency for the purposes of this disclosure.

b. Current portion of long-term obligations

Bank or financial institution	As of March 31,	
	2004	2003
JP Morgan – The Chase Manhattan Bank	202,223	279,628
Citibank N.A.	1,432	1,598
BNP Paribas	959	
	<u>204,614</u>	<u>281,226</u>
Principal outstanding	<u>200,000</u>	<u>275,000</u>
Annual average interest rate	<u>1.71%</u>	<u>1.70%</u>
Percentage of obligations in foreign currency (1)	<u>100%</u>	<u>100%</u>

1) Obligations in US Dollars are considered as foreign currency for the purposes of this disclosure.

10. BANKS AND FINANCIAL INSTITUTIONS-LONG TERM

These obligations accrue interest at variable rates based on Libor (in thousands of US Dollars):

Bank or financial institution	As of March 31,		Years to maturity
	2004	2003	
JP Morgan-The Chase Manhattan Bank	100,000	300,000	2005
Citibank N.A.	300,000	300,000	2006
BNP Paribas	300,000	-	2008
	<u>700,000</u>	<u>600,000</u>	
Annual average interest rate	.66%	1.83%	
Percentage of obligations in foreign currency (1)	100%	<u>100%</u>	

1) Obligations in US Dollars are considered as foreign currency for the purposes of this disclosure.

11 SHORT AND LONG-TERM BONDS PAYABLE

On May 4, 1999, the Company issued and placed bonds in the North American market, under Regulation 144-A, for a nominal amount of ThUS\$300,000. These bonds mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually. At March 31, 2004 and 2003, the current liability for each period's accrued interest was ThUS\$9,218 and ThUS\$9,219, respectively.

On November 18, 2002, the Company issued and placed bonds in the domestic market, under the regulations of the Superintendence of Securities and Insurance. This bond was issued for nominal amount of UF 7,000,000, (at March 31, 2004 and 2003, equivalent to ThUS\$188,934 and ThUS\$161,061, respectively) of a single series denominated A Series, and is represented by 70,000 certificates of UF 100 each. These bonds are repayable in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually. At March 31, 2004 and 2003, the current liability for each period's accrued interest was ThUS\$624 and ThUS\$533, respectively.

On November 30, 2002, the Company issued and placed bonds in the North American market, under Regulation 144-A, for a nominal amount of ThUS\$435,000. These bonds mature in a single installment on November 30, 2012, at an interest rate of 6.375% per annum with interest paid semi-annually. At March 31, 2004 and 2003, the current liability for each period's accrued interest was ThUS\$9,244 and ThUS\$9,321, respectively.

On October 15, 2003, the Company issued and placed bonds in the North American market, under Regulation 144-A, for nominal amount of ThUS\$500,000. These bonds are repayable in a single installment on October 15, 2013, at an interest rate of 5.5% per annum with interest paid semi-annually. At March 31, 2003, the current liability for accrued interest was ThUS\$13,750.

12. ACCRUALS

The composition of long-term accruals is as follows (in thousands of US Dollars):

Item	As of March 31,	
	Long-term	
	2004	2003
Staff severance indemnities	439,588	364,122
Environmental exit cost	75,646	74,873
Contingencies	100,192	70,796
Healthcare programs	31,500	-
Miscellaneous	<u>72,372</u>	<u>33,752</u>
Total	<u>719,298</u>	<u>543,543</u>

The changes in the accrual for severance indemnities are summarized as follows (in thousands of US Dollars):

	<u>As of March 31,</u>	
	<u>Long-term</u>	
	<u>2004</u>	<u>2003</u>
Balance as of January 1	453,930	363,456
Provision for the year (including effects for variations in exchange rates)	(5,605)	4,556
Transfer to current	<u>(8,737)</u>	<u>(3,890)</u>
Total	<u>439,588</u>	<u>364,122</u>

13. EQUITY

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

The composition of Other Reserves is as follows (in thousands of US Dollars):

Detail	Period	Accumulated
Capitalization of net income (Exempt Decree Ministry of Mining and Treasury Department)	9,130	618,181
Cumulative translation adjustment – subsidiaries	(346)	33,426
Housing programs	-	35,100
Technical appraisal revaluation reserve - D.L. N°3,648		<u>624,568</u>
Balance of other reserves as of March 31, 2004	<u>8,784</u>	<u>1,311,275</u>

Changes in equity are detailed as follows (in thousands of US Dollars):

	<u>As of March 31, 2004</u>				<u>As of March 31, 2003</u>			
	<u>Paid-in capital</u>	<u>Other reserves</u>	<u>Profits distribution</u>	<u>Net income for the period</u>	<u>Paid-in capital</u>	<u>Other reserves</u>	<u>Profits distribution</u>	<u>Net income for the period</u>
Beginning balance - January 1,	1,524,423	1,302,491	(94,724)	89,230	1,524,423	1,237,019	(76,853)	48,476
Distribution of income the prior year			80,100	(80,100)				
Recording of reserves and/or income in equity as required		9,130		(9,130)		16,347	32,129	(48,476)
Net changes in equity in subsidiaries and affiliated companies		(346)				(2,967)		
Profits distribution to the Chilean Treasury			(142,133)					
Net income for the period				<u>208,630</u>				<u>21,441</u>
Total	<u>1,524,423</u>	<u>1,311,275</u>	<u>(156,757)</u>	<u>208,630</u>	<u>1,524,423</u>	<u>1,250,399</u>	<u>(44,724)</u>	<u>21,441</u>

14. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses are detailed as follows (in thousands of US Dollars):

a. Non-operating income:

	As of March 31,	
	2004	2003
Realized gain on contributions to companies	11,199	1,245
Miscellaneous sales	4,068	3,405
Other	8,257	4,953
	<u>23,524</u>	<u>19,603</u>

b. Non-operating expenses:

	As of March 31,	
	2004	2003
Export tax (Law N° 13,196)	135,801	57,226
Severance indemnities	11,590	5,321
Retirement plans	2,016	3,398
Contingency accruals	114,597	3,000
Other	26,616	20,609
	<u>290,620</u>	<u>89,554</u>

15. PRICE-LEVEL RESTATEMENT

As set forth in D.L. No. 1,350 of 1976, the Company records its operations in U.S. Dollars. Consequently, the price-level restatement figures come from the consolidation with its subsidiary companies. (2004: ThUS\$9 debit; 2003: ThUS\$308 credit).

16. FOREIGN CURRENCY TRANSLATION

Assets and liabilities, traded in original currencies other than US Dollar, have been translated at the period-end exchange rate, resulting in a net charge to income of ThUS\$18,106 for the asset accounts (2003: a charge of ThUS\$3,432). A credit to income of ThUS\$32,224 (2003: a credit of ThUS\$8,697) has been made for the liability accounts.

17. DERIVATIVE CONTRACTS

The Company holds contracts for pricing operations. Such contracts were hedging 819 MTMF (thousands of metric tons of fine copper) (464 MTMF for sales contracts and 355 MTMF for

production contracts), out of which –at the financial period-end– 699 MTMF are outstanding (344 MTMF for sales contracts and 355 MTMF for production contracts), and matures in March 2006, with a negative exposure of ThUS\$119,230.

In addition, the Company has hedging operations against exchange rate variations, amounting to ThUS\$164,482, out of which ThUS\$164,482 are due in November 2012; this represents a positive exposure of ThUS\$15,381.

Also, at March 31, 2003, the Company has contracts in place to fix the interest rate of US Dollars denominated debt obligations with banks and financial institutions for ThUS\$300,000. A negative exposure of ThUS\$12,587 has been determined for these contracts at March 31, 2004. Deferred payments under these contracts amounted to ThUS\$44,387 in 2004 and ThUS\$56,000 in 2003, which are presented in other under other assets and are amortized over the term of the respective obligations, from April 2004 to September 2008.

18. COMMITMENTS AND CONTINGENCIES

Lawsuits

Codelco is involved in various pending legal actions initiated by, or against, the Company which are derived 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's 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 instances and legal and proceeding resources available.

Other commitments

With regard to the shares resulting from the bidding process of the hydroelectric power plants Coya and Pangal, the Company has committed to the final signature of the sale contracts for such assets by April 2004.

The Corporation, following its cost-reduction programs by way of using modern technologies, has established personnel early severance programs, with benefits that encourage retirement, for which such obligation is recognized through provisions when the employee commits to his/her retirement.

The Company has no restrictions or covenants associated with obligations with banks and financial institutions or with the public.

The Company has obligations with Tesorería General de la República de Chile under Law 18,634 in connection with deferred custom duties of ThUS\$82,242 in 2004 (ThUS\$130,992 in 2003).

19. SURETIES OBTAINED FROM THIRD PARTIES

The Company has received a number of guarantees that mainly cover obligations of suppliers and contractors related to various projects under development. Considering the large number of guarantees received as of March 31, 2004 and 2003 and the many suppliers and contractors involved, the amounts covered are presented by Division as follows (in thousands of US Dollars):

	<u>As of March 31,</u>	
	<u>2004</u>	<u>2003</u>
Division:		
Norte	17,802	152,228
Salvador	7,428	8,168
Andina	5,975	5,656
El Teniente	78,689	62,402
Head Office	<u>24,050</u>	<u>33,367</u>
Total	<u>233,944</u>	<u>261,821</u>

20. ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCIES

At March 31, 2004, the Company has assets transacted in local currency for ThUS\$246,352 (2003: ThUS\$370,023) and liabilities for ThUS\$772,942 (2003: ThUS\$648,976).

21. SANCTIONS

Codelco, its Directors and Management have not been subject to sanctions applied by the Superintendencia of Securities and Insurance or other administrative authorities.

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 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 soundings work directed towards exploration of mineral resources both in Chile and abroad.

At March 31, 2003, Codelco Norte, made up of the Chuquicamata and Radomiro Tomic, Andina, El Salvador and Teniente Divisions, had received ISO 14001 certification. The Head Office and exploration management also received ISO 14001 certification. Exploration management received the certification separately for the relevance and impact of its activities on the environment.

In accordance with this policy, in 2004 the Company has made investments, identifiable with the environmental theme, which amount to ThUS\$5,897 (2003: ThUS\$7,187).

23. SUBSEQUENT EVENTS

On April 19, 2004, Codelco-Chile transferred over to the companies Hidroeléctrica Cachapoal S.A., Pacific Hydro Chile S.A. and Colbún S.A., the assets denominated Groups 1, 2 and 3, respectively, awarded in the National and International Public Bid of Electricity Generation Assets and Water Rights in the "Cuenca del Alto Cachapoal" in property of the El Teniente Division of Codelco.

The Company's management has no knowledge of other significant events of a financial nature or any other nature, occurring between March 31, 2004 and the date of issuance of these financial statements which may affect them.

Juan Villarzá Rohde
Chief Executive Officer

Francisco Tomic Errázuriz
Corporate Vice President of
Human Development and Finance

Patricio Mac-Niven Silva
Corporate Manager
Of Shared Services

Mario Allende Gallardo
Accounting Manager